OFFICE OF LABOR RELATIONS

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February 25, 2016

To: **Bill de Blasio**
Mayor, City of New York

Anthony Shorris
First Deputy Mayor, City of New York

From: **Robert Linn**
Claire Levitt

Re: **Report of the Status of Healthcare Savings, Q2/Q3 Fiscal Year 2016**

Introduction

We are extremely pleased to report on the extraordinary success of the Municipal Labor Committee (MLC) and the City towards meeting the health care savings targets -- not just for the current Fiscal Year 2016 -- but also for Fiscal Year 2017. We are able to project that the $700 million targeted savings will be secured for FY 2016 and also that the $1 billion in savings required for FY 2017 is already projected to be secured by the new agreement just approved by the City and the MLC. Details of the specific program savings for FY 2016 and FY 2017 are provided in Exhibit A and will be discussed in this report.

As a result of this agreement, there will be significant changes to the City's health plans for the first time in decades. These changes will not only secure the promised health savings but will also promote better utilization of health care resources and improved health outcomes for City employees. We will be implementing important modifications that provide economic incentives to rely more on primary care, which is widely recognized to be an important cornerstone to improving the quality of care and health outcomes while reducing costs. As an integral part of our new plan, we will also be implementing all the preventive care recommendations under the Affordable Care Act (ACA). As a result, NYC employees covered by the GHI/CBP plan will have

access to free preventive care, including free coverage for services such as annual physical exams, well woman visits, contraceptives, mammograms, colonoscopies and breastfeeding supplies.

Design Changes to the GHI CBP Health Plan

One of the most significant deficiencies in the City's ability to contain health care costs in the past twenty years was the failure to obtain and analyze data from its multiple health plans to understand the nature of the overall health care utilization and expense. As detailed in our Q1 report, for the first time, the City and the MLC were able to review data in order to get a clear picture of how our health care dollars are being spent.

As a result, 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. Recognizing that strong primary care is essential to improving health outcomes and lowering costs, 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 high costs and overutilization of the hospital emergency room, much of which is for care that can be more effectively delivered elsewhere, the current copayment of $50 per visit is being raised to $150 per visit. If a patient is admitted to the hospital from the emergency room, the entire copay will be waived.

- To help address the low utilization of primary care and the high utilization of specialty care, the copay for a physician specialty care visit, which has been $20 since 2004, is being raised to $30, while the primary care and mental health copays remain at a low $15 per visit. To encourage employees to utilize important preventive services, all preventive care visits and procedures will have a $0 copay. For the first time, the CBP Plan will include physical exams at all ages, further encouraging access to primary and preventive care, as well as a $0 copay for annual well woman exams, contraceptives, breastfeeding supplies and many other preventive services recommended for men, women and children. By agreement between the City and the MLC, the additional costs for these items in the CBP Plan will be borne by the Stabilization Fund rather than the City's Health Plan. A complete list of the preventive services covered under the ACA is provided in Exhibit B.

- To provide even better access to low cost and convenient primary care, we are entering 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 is providing a guarantee to the City that the additional costs for the $0 copay will 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 set at $50, well below the new copay for the emergency room but higher than the copay for physician care.

- To help address the costs and overutilization of high cost radiology procedures like MRIs and CT scans, the copay is being increased to $50.

- To help address the costs and overutilization of diagnostic laboratory testing and physical therapy services, copays are being increased from $15 to $20.

These changes to the CBP Plan will result in savings of approximately $85 million a year beginning in FY 2017.

To help support employees in adapting to these changes, we are also offering two important new programs to provide employees with tools to help them locate appropriate physician care and avoid unnecessary emergency room utilization:

- **Telemedicine** – Access to physician services will be offered online and via telephone 24 hours a day. This service will expand City employees' access to immediate physician availability and help reduce the costs and inconvenience of unnecessary emergency room utilization.

- **ZocDoc Online Scheduling**– A New York City customized version of the ZocDoc website will be available shortly to enable employees to view and select available physician appointment times online. The site will direct employees to physicians in their network and also indicate those ACP physicians where the copay is $0.

Recognizing that these are consequential changes for NYC employees, a very important aspect of implementing the changes will be educating employees how to use the new Plan effectively. In conjunction with the MLC, we will be devoting an intensive period until July 1 to help prepare everyone for the new program with letters, emails, instructional material, videos and onsite presentations. We want employees to know that while there are some changes that could potentially cost them more, if they make appropriate use of their benefits their out of pocket costs can actually be lower.

Design Changes to the HIP HMO Plan

Another extremely important change we are making effective July 1, 2016 is the introduction of a new and more cost effective HIP HMO Plan. This new program is called the HMO Preferred Plan

and it also provides an innovative approach to achieving better health outcomes. 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 that provide incentives to improve medical management, enhanced quality management and early member engagement by meeting core measures that improve health. The copay for using preferred providers remains at $0.

However, there is now a $10 copay for care when a patient goes to a non-preferred provider. Disruption will be minimized by the fact that currently 60% of City employees in the HIP HMO Plan are already using the HIP preferred providers.

This program will result in over $64 million in annual savings beginning in FY 2017. This program lowers costs significantly while providing better quality care for employees in that plan.

Details regarding the GHI CBP and HIP HMO plan changes and related FY 2017 savings are provided in Exhibit C.

Other FY 2016 Changes

- **Care Management Expansion** -- The City and the MLC together selected a new vendor for Care Management programs effective January 1, 2016. We believe the change in vendor will maximize the savings for the City and provide an intensive level of case management support to assist our sickest employees and their family members in navigating the health care system to obtain the highest quality and most cost effective care. 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.

- **Diabetes Case Management Program** -- To help support our employees who are diabetic, beginning July 1, 2015, those diagnosed with diabetes and/or gestational diabetes have been offered one-on-one case management services with a registered nurse to help them manage their condition. Several hundred employees have already enrolled in the program and we are providing outreach to more and more employees.

- **Continuation of the Dependent Eligibility Verification Audit** -- The comprehensive DEVA audit, which saved over $100 million last year, will be continued on a limited basis for three additional years to assure that newly enrolled dependents are eligible.

Finally, the City and the MLC also agreed to take approximately $120 million from the Stabilization Fund to provide a one-time $100 per employee and retiree contribution ($60 million) to the welfare funds and a $60 million payment to the City.

Savings Results

For FY 2017 and beyond, the plan design changes in the CBP and the HIP HMO alone represent about $150 million per year in savings, while also encouraging better utilization of the important benefits offered by New York City to its employees. As a result of these changes, along with the carryover of changes made in FY 2015 and FY 2016 and several additional changes in FY 2016 in other areas, we are able to project that in FY 2017 we will exceed the $1 billion target leaving us one and a half years to achieve additional savings to meet the FY 2018 $1.3 billion target. We are currently projecting that we have already secured almost $3.2 billion of the $3.4 billion savings goal.

Promoting a Healthier Workforce

A cross agency team led by OLR has been working at advancing an improved and sustainable "Culture of Health" that will support our workforce in getting healthier and staying healthier. A number of programs have already been put into place and more will be implemented shortly to address fitness, nutrition and obesity, smoking cessation and stress reduction for the City's workforce. 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 important future cost savings implications. While some of these approaches won't have quantifiable savings we can specifically measure in the next year or two, they are a long term strategy to improve the health of the population and thereby reduce long term health care costs.

Fundamental to our programs, is our belief that making wellness programs available at the worksite will mean that they have an even greater chance of impacting people's lives.

We have already had initial success implementing the CDC's Diabetes Prevention Program at several agency locations. We plan to bring the program to a number of new locations this year.

We know that obesity impacts more than one third of the population, and that obesity related conditions include, heart disease, stroke, diabetes, hypertension and some forms of cancer, and these are leading causes of preventable death. To help address this, we are in the process of developing an arrangement with a nationally recognized weight management program, where we will be offering NYC employees access to their programs at a minimal cost -- in the workplace, in their communities and online. By agreement with the MLC, this will be a joint labor management initiative where 50% of an employee's cost for the program will be subsidized by funding from the Stabilization Fund. With a significantly reduced rate offered by the program, an employee's monthly cost to participate will be very low. We expect to begin offering this program later this year, while continuing to explore other weight management approaches.

The Culture of Health team is also working on the roll out of several agency based worksite wellness demonstration projects in 2016. The program will focus on helping employees address smoking cessation, stress management, hypertension, nutrition and fitness. We hope to use the demonstration project experience to validate the effectiveness of wellness programming on health costs, employee engagement and reduced absenteeism, so that we can support scaling the program Citywide.

We continue to promote the free flu shot program as an important preventive step to reduce more costly ER and doctor visits. The program, which began for employees in 2014, was expanded in 2015 to include covered dependents and pre-Medicare retirees.

To help support these programs, OLR has introduced a new section on its website for Employee Wellness that contains valuable information, links and tools to help maximize access to appropriate healthcare and to educate the workforce about health issues and the City's health and wellbeing programs.

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In closing, we would like to recognize the efforts of all of the MLC unions and their leadership especially Harry Nespoli, President of the Sanitation Workers Union and Chairman of the Municipal Labor Committee, along with Arthur Pepper of UFT and Willie Chang of DC37, the co-chairs 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. We are now well on our way to meeting the $3.4 billion health cost savings goal -- and we are optimistic that it is possible to attain the excess savings required to generate the shared component of the savings. This effort between the City and its municipal unions has demonstrated that with labor management cooperation, we can tackle complex and challenging issues like health care costs. We look forward to continued collaboration and the possibility of exceeding the health care savings targets and sharing the excess savings with City employees.

EXHIBIT A

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
Funding structure change in the City's GHI Plan The funding structure change last fiscal year 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.	$61 M	$62 M
Dependent Eligibility Verification Audit (DEVA) The DEVA program, which was an audit of dependent eligibility for coverage, and that resulted in conversions of family to individual health contracts, provides continued savings from lower health premiums.	$108 M	$101 M
Changes to the Care Management program The care management program was enhanced in two phases. In March/April 2015, the then existing pre-authorization program was enhanced to provide a timely and comprehensive review of hospital admissions and length of hospital stays. In addition, the previously limited case management program was expanded to include case management for all complex and high cost acute and chronic conditions, providing much needed services to employees, dependents and retirees with severe medical conditions. Further, new maternity management and readmission management programs were implemented. Then, under the second phase, effective January 1, 2016, a new vendor was selected to administer the program with the added responsibility of also implementing new pre-authorization requirements for outpatient procedures. These program enhancements generate savings for the City.	$21 M	$22 M
Specialty Drugs (PICA) program changes The contract with Express Scripts for the specialty drug program that was renegotiated in the previous fiscal year, and which also included certain cost management provisions such as preauthorization and drug quantity management programs to enhance savings, continues to deliver savings.	$21 M	$21 M
HIP Rate Savings Based on historical trends, the City's budget estimated a 9% increase in the HIP rate for fiscals 2016 and 2017. However, the rate was finalized at 2.89% in FY'16 and 5.98% in FY'17. The HIP rate reduction generates savings as the amount representing the differential would have otherwise been paid into the stabilization fund for all active employees and pre-Medicare retirees.	$343 M	$537 M
GHI Senior Care Plan Savings Similar to the HIP rate, the 8% annual increase budgeted for Senior Care premium increases for fiscals 2015 and 2016 was finalized at 0.32% & -0.07%, respectively.	$76 M	$85 M
Lower Radiology Fees Emblem has renegotiated the contract with their radiology providers for lower fees resulting in lower costs for the City.	$10 M	$20 M
Lower (Durable Medical Equipment) DME Fees Emblem has selected a single source vendor for DME that offers lower fees resulting in lower costs for the City.	$1 M	$2 M

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
HIP HMO Preferred Plan The transition from the existing HIP HMO plan to the HIP HMO Preferred Plan effective July 1, 2016, not only lowers the overall cost to the City for employees enrolled in the program but also lowers the benchmark HIP rate that drives the payment for all employees. The City is obligated to make an equalization payment into a Health Insurance Stabilization Reserve Fund – jointly controlled by the City and the MLC -- representing 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.		$64 M
GHI CBP Program Changes Effective July 1, 2016, changes are being made to the GHI CBP program that will address the underutilization of primary care and the overutilization of the hospital emergency room and specialty care. Additionally, changes will address the costs and overutilization of high cost radiology procedures like MRIs and CT scans, and laboratory testing. The changes are expected to generate significant savings.		$85 M
Telemedicine and ZocDoc The implementation of new programs such as telemedicine (i.e., access to physician services online and via telephone 24 hours a day), and ZocDoc (platform for online scheduling of doctor appointments) will expand City employees' access to immediate physician availability and thereby reduce costs for unnecessary emergency room utilization.	$1 M	$1 M
Diabetes Management Program The program, which focuses on gestational diabetes and complex case management for Stage 2 and Stage 3 diabetes, and, for which employees diagnosed with diabetes and/or gestational diabetes are being offered one-on-one case management services with a registered nurse to help them manage their condition, is expected to generate savings.		$1 M
Stabilization Fund Adjustment This is the adjustment to reflect a contribution from the stabilization fund (SF) to fill the gap between savings realized from program initiatives and the required savings target for the fiscal year. The actual SF adjustment is finalized at the end of the fiscal during true-up.	$58 M	
Total	**$700 M**	**$1.001 B**

EXHIBIT B

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	***22 Covered Preventive Services for Women, Including Pregnant Women***	***26 Covered Preventive Services for Children***
1) Abdominal Aortic Aneurysm one-time screening for men of specified ages who have ever smoked **2) Alcohol Misuse** screening and counseling **3) Aspirin** use for men and women of certain ages **4) Blood Pressure** screening for all adults **5) Cholesterol** screening for adults of certain ages or at higher risk **6) Colorectal Cancer** screening for adults over 50 **7) Depression** screening for adults **8) Type 2 Diabetes** screening for adults with high blood pressure **9) Diet** counseling for adults at higher risk for chronic disease, **10) HIV** screening for all adults at higher risk **11) Immunization vaccines** for adults--doses, recommended ages, and recommended populations vary (Hepatitis A, Hepatitis B, Herpes Zoster, Human Papillomavirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Tetanus, Diphtheria, Pertussis, Varicella **12) Obesity** screening and counseling for all adults **13) Sexually Transmitted Infection (STI)** prevention counseling for adults at higher risk **14) Tobacco Use** screening for all adults and cessation interventions for tobacco users **15) Syphilis** screening for all adults at higher risk	**1) Anemia** screening on a routine basis for pregnant women **2) Bacteriuria** urinary tract or other infection screening for pregnant women **3) BRCA** counseling about genetic testing for women at higher risk **4) Breast Cancer Mammography** screenings every 1 to 2 years for women over 40 **5) Breast Cancer Chemoprevention** counseling for women at higher risk **6) Breastfeeding** comprehensive support and counseling from trained providers, as well as access to breastfeeding supplies, for pregnant and nursing women **7) Cervical Cancer** screening for sexually active women **8) Chlamydia Infection** screening for younger women and other women at higher risk **9) Contraception:** Food and Drug Administration-approved contraceptive methods, sterilization procedures, and patient education and counseling, not including abortifacient drugs **10) Domestic and interpersonal violence** screening and counseling for all women **11) Folic Acid** supplements for women who may become pregnant **12) Gestational diabetes** screening for women 24 to 28 weeks pregnant and those at high risk of developing gestational diabetes **13) Gonorrhea** screening for all women at higher risk	**1) Alcohol and Drug Use** assessments for adolescents **2) Autism** screening for children at 18 and 24 months **3) Behavioral** assessments for children of all ages (Age: Up to 17 years) **4) Blood Pressure** screening for children (Age: Up to 17 years) **5) Cervical Dysplasia** screening for sexually active females **6) Congenital Hypothyroidism** screening for newborns **7) Depression** screening for adolescents **8) Developmental** screening for children under age 3, and surveillance throughout childhood **9) Dyslipidemia** screening for children at higher risk of lipid disorders (Ages: 1 to 17 years) **10) Fluoride Chemoprevention** supplements for children without fluoride in their water source **11) Gonorrhea** preventive medication for the eyes of all newborns **12) Hearing** screening for all newborns **13) Height, Weight and Body Mass Index** measurements for children (Age: Up to 17 years) **14) Hematocrit or Hemoglobin** screening for children **15) Hemoglobinopathies** or sickle cell screening for newborns **16) HIV** screening for adolescents at higher risk **17) Immunization** vaccines for children from birth to age 18 — doses, recommended ages, and recommended populations vary: Diphtheria, Tetanus, Pertussis,

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	***22 Covered Preventive Services for Women, Including Pregnant Women***	***26 Covered Preventive Services for Children***
	14) Hepatitis B screening for pregnant women at their first prenatal visit **15) Human Immunodeficiency Virus (HIV)** screening and counseling for sexually active women **16) Human Papillomavirus (HPV) DNA Test:** high risk HPV DNA testing every three years for women with normal cytology results who are 30 or older **17) Osteoporosis** screening for women over age 60 depending on risk factors **18) Rh Incompatibility** screening for all pregnant women and follow-up testing for women at higher risk **19) Tobacco Use** screening and interventions for all women, and expanded counseling for pregnant tobacco users **20) Sexually Transmitted Infections (STI)** counseling for sexually active women **21) Syphilis** screening for all pregnant women or other women at increased risk **22) Well-woman** visits to obtain recommended preventive services	Haemophilus influenzae type b, Hepatitis A, Hepatitis B, Human Papillomavirus, Inactivated Poliovirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Rotavirus, Varicella **18) Iron** supplements for children ages 6 to 12 months at risk for anemia **19) Lead** screening for children at risk of exposure **20) Medical History** for all children throughout development (Age: Up to 17 years) **21) Obesity** screening and counseling **22) Oral Health** risk assessment for young children (Age: Up to 10 years) **23) Phenylketonuria (PKU)** screening for this genetic disorder in newborns **24) Sexually Transmitted Infection (STI)** prevention counseling and screening for adolescents at higher risk **25) Tuberculin** testing for children at higher risk of tuberculosis (Age: Up to 17 years) **26) Vision** screening for all children

EXHIBIT C

Estimated FY'17 Savings from GHI CBP Plan Design Changes and HIP HMO Value Based Network		
CBP Plan Design Changes		
Plan Changes	**Current Copay**	**New Copay**
PCP Copay (including Mental Health)	*$15*	*$15*
ACP Generalist (PCP) Copay	*$15*	*$0*
ACP Specialty Copay	*$20*	*$0*
Non-ACP Surgical Specialty Copay	*$20*	*$30*
All Other Specialists Copay	*$15*	*$30*
ER Copay	*$50*	*$150*
Urgent Care Copay	*$15*	*$50*
MRI/CT Copay	*$15*	*$50*
Physical Therapy	*$15*	*$20*
Diagnostic/Lab Copay	*$15*	*$20*
Preventive Care*:		
Preventive - Non-Rx	*Varies*	*$0*
Preventive - Rx	*Varies*	*$0*
Savings from CBP Plan Design Changes		$84,748,000
HIP Savings from Value Based Network		$64,400,000
Subtotal HIP and GHI CBP Plan Savings		**$149,148,000**
All Other Savings		**$851,800,000**
Total Savings		**$1,000,948,000**

* Preventive care costs are funded by the Stabilization Fund

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

Testimony by:

Robert Linn, Commissioner, Mayor's Office of Labor Relations

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

February 26, 2016

Introduction and Overview

Good morning Speaker Mark-Viverito, Chair Ferreras, Chair Miller and members of the Finance and Civil Service and Labor Committees. 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.

Over the past year, the City and the Municipal Labor Committee (MLC) have worked together to tackle the difficult challenge of identifying significant health care savings while also improving health care outcomes. So today, we are excited to report on the success of

the Municipal Labor Committee and the City towards meeting these goals -- not just for the current Fiscal Year 2016 -- but also for Fiscal Year 2017.

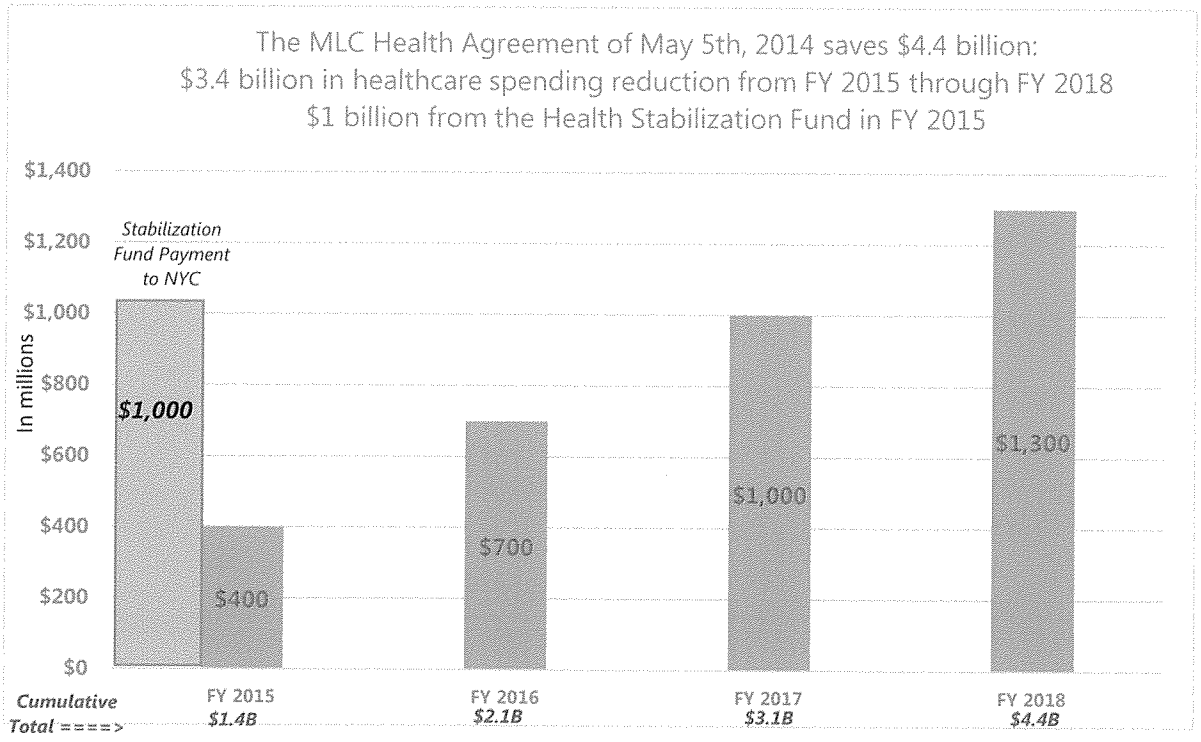
We will detail not only how the $700 million targeted savings will be secured for FY 2016 but also how the $1 billion in savings required for FY 2017 is already projected to be secured as a result of important changes to the City's health plans.

As you'll recall, when Mayor de Blasio took office in January 2014, every single contract with municipal workers had expired. As of today, we've reached agreement with 95% of the workforce, both civilian and uniformed. As part of that agreement, 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.

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

By agreement, in the first year $1 billion was paid from the Stabilization Fund to the City.

Table 1



Data Source: MLC Health Agreement, May 5, 2014

The four year plan was scheduled to obtain $3.4 billion in healthcare savings -- 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.

The agreement with the MLC also provided that if the savings exceed the $3.4 billion threshold, the first $365 million of excess savings will go back to the workforce in a bonus payment – as much as a 1% bonus for the entire NYC workforce. If there are additional savings beyond that, the excess will be split between the City and the workforce 50/50.

This gain-sharing agreement aligned labor and management's interests to work together and fundamentally changed the labor-management dynamic around the common objective of identifying health care savings.

As a result, we have been able to work together to achieve remarkable changes; a win for the City, the municipal unions, our employees and the NYC taxpayers. The changes we agreed to will not only secure the promised health savings but will also promote better utilization of health care resources and improved health outcomes for City employees. For the first time, we have been able to use the City's claims data to drive decisions, and we worked closely with the Municipal Labor Committee to redesign our health plans to implement important modifications that provide incentives to obtain the most cost effective and efficient health care. Details of the specific program savings for FY 2016 and FY 2017 are provided in Exhibit A and will be discussed as we go through the presentation.

As I did last year, I want to take a moment here again to recognize the extraordinary 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, along with Arthur Pepper of UFT and Willie Chang of DC37, the co-chairs of the Labor Management Health Insurance Policy Committee. Their leadership and willingness to work with us to achieve the health care savings goals has helped transform vision into reality. We

are now well on our way to meeting the $3.4 billion health cost savings goal -- and we are optimistic that we may achieve the excess savings required to generate the sharing of the surplus with employees.

The Data Analysis

One of the most significant deficiencies in the City's ability to contain health care costs in the past twenty years was the failure to obtain and analyze claims data to understand the nature of the overall health care utilization and expense. We have now jointly reviewed the data.

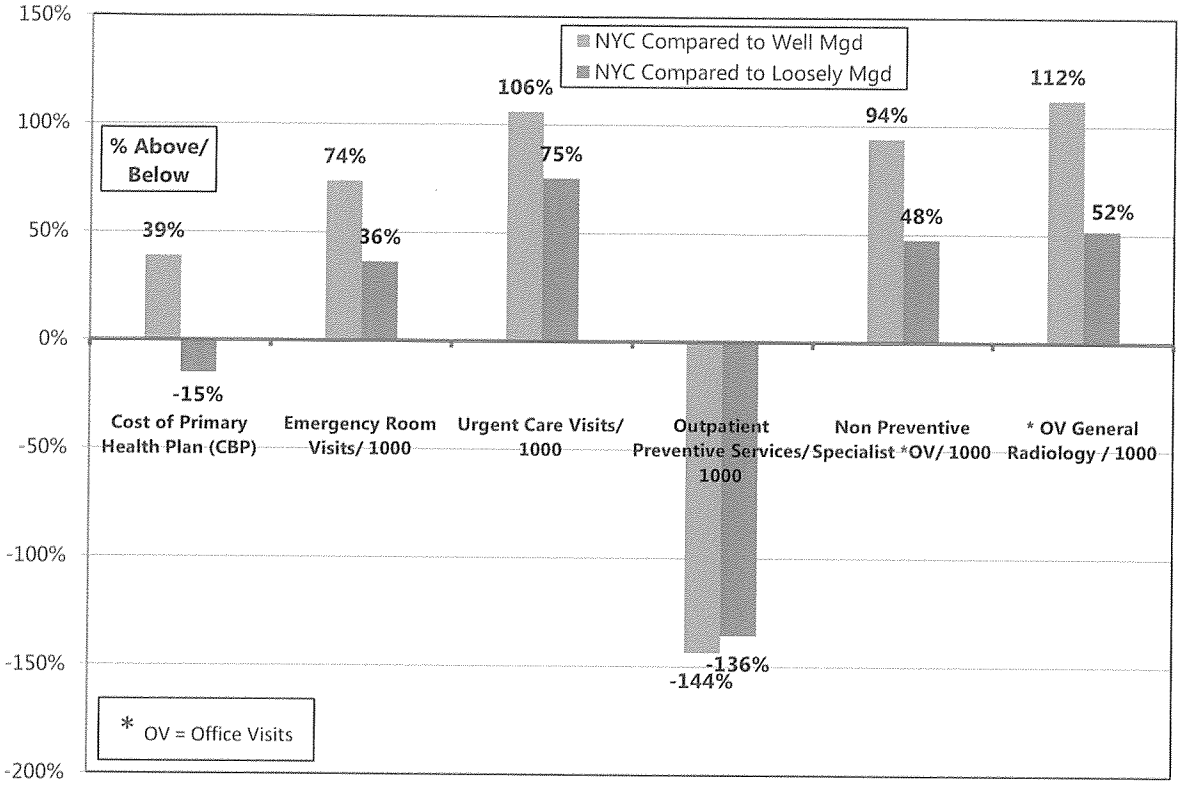
Key findings from the initial data analysis gave us a clearer picture of the trends and expenses we needed to address and proved extremely helpful in informing the direction of our program development by permitting us to focus more precisely on the specific problems we identified.

The analysis compared the data for the City's largest health plan -- the Emblem Health- 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.

Table 2

Summary of Benchmarking Health Data
NYC % Above/Below "Well Managed" and "Loosely Managed" Benchmarks
(2014 GHI CBP Plan Active Employee Data)



Data Source: Milliman's Analysis of 2014 GHI CBP Active Employee Data

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 suggests that employees are using the emergency room for care that is better provided by their own physicians.
- At the same time, urgent care visits also have 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 suggests 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) is far below the utilization of both well managed and loosely managed benchmarks.
- Physician specialty care visit utilization is well above benchmarks for both well managed and loosely managed benchmarks.
- Radiology and pathology procedures performed in physician offices have 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 have significant cost implications for the plan but indicate that our employees are not making the best use of their benefit plans to protect their own health and the health of their families.

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. 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 has been $20 since 2004, is being raised to $30, while the primary care copay remains at a low $15 per visit. Mental health visits also remain at a copay of $15 to assure that employees have continued access to obtaining necessary mental health care. For comparative

purposes, it is interesting to note that the *Kaiser 2015 Employer Survey* indicates that average employee copays are $24 for PCP visits and $37 for specialist visits.

- 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 current copayment of $50 per visit is being raised to $150 per visit. If a patient is admitted to the hospital from the emergency room, the entire copay will be waived.
- To encourage employees to utilize important preventive services, all preventive care visits and procedures will have a $0 copay. This will include 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 will be borne by the Stabilization Fund rather than the City's Health Plan. A complete list of the preventive services covered under the ACA is provided in Exhibit B.
- To provide even better access to low cost and convenient primary care, we are entering an agreement with EmblemHealth, our current insurer, 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 is providing a guarantee to the City that the additional costs for the $0 copay will be more than offset by the savings from the improved coordinated care at their locations. A list of ACP locations is provided in Exhibit C.
- To help encourage the use of primary care while providing access to urgent care, the new copay for urgent care was established as 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 is being increased to $50.
- For diagnostic laboratory testing, copays are being increased from $15 to $20.

Table 3

Current and New CoPays for the GHI CBP Plan		
CBP Plan Design Changes	**Current Copay**	**New Copay**
PCP (including Mental Health Providers)	*$15*	*$15*
ACP* Generalist (PCP)	*$15*	*$0*
ACP* Specialty	*$20*	*$0*
Non-ACP Surgical Specialty	*$20*	*$30*
All Other Specialists	*$15*	*$30*
Emergency Room (ER)	*$50*	*$150*
Urgent Care	*$15*	*$50*
MRI/CT High Cost Radiology	*$15*	*$50*
Physical Therapy	*$15*	*$20*
Diagnostic/Lab	*$15*	*$20*
Preventive Care- Non-Rx	*Varies*	*$0*
Preventive Care - Rx	*Varies*	*$0*
Total Estimated Annual Savings from CBP Plan Changes	*$84.7 Million*	

** Advantage Care Physicians/Emblem*

To help support these changes, we are also offering two important new programs to provide employees with new tools to help them locate appropriate care and reduce emergency room utilization:

- **Telemedicine** – Access to physician services will be offered online and via telephone 24 hours a day. This service will expand City employees' access to immediate physician availability and help reduce the costs and inconvenience of unnecessary emergency room utilization.

- **ZocDoc Online Scheduling**– A New York City version of the ZocDoc website will enable employees to go onto the site and select available physician appointment times online. The site will direct employees to physicians in their network and indicate those ACP physicians where the copay is $0.

We recognize that these are consequential changes for NYC employees and therefore an important aspect of implementing the changes will be educating employees how to use the new Plan effectively. In conjunction with the MLC, we will be devoting an intensive period between now and July 1 to help prepare everyone for the new program with letters, emails, instructional material, videos and onsite presentations. We want employees to know that while there are some changes that could potentially cost them more, if they make appropriate use of their benefits, their out of pocket costs can go down.

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 we are making effective July 1, 2016, is the introduction of a new and more cost effective HIP HMO Plan. This new program is called the HMO Preferred Plan and it also provides an innovative approach to achieving better health outcomes. 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 now a $10 copay for care when the patient goes to a non-preferred provider. Disruption will be minimized by the fact that currently 60% of City employees in the HIP HMO Plan are already using the HIP preferred providers.

This new program offers not only a lower overall cost to the City for employees enrolled in the HIP HMO program, but also lowers the benchmark HIP rate that drives the payment for all employees. This program lowers that benchmark rate while providing better quality care

for employees in that plan. Total savings for the program are expected to be $64 million per year.

Other FY 2016 Changes

There are a number of other changes that have also contributed to the cost savings success including:

- **Care Management Program Expansion** -- The City and the MLC together selected Empire Blue Cross for Care Management programs effective January 1, 2016. We believe the change in vendor will maximize the savings for the City and provide an intensive level of case management support for employees. 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. This expands further on the new care management programs implemented in April 2015 and should help increase savings by providing case managers to assist our sickest employees and their family members in navigating the health care system to obtain the highest quality and most cost effective care.

- **Diabetes Case Management Program** -- Diabetes is a growing epidemic in the United States: nearly 30 million Americans have diabetes. Patients diagnosed with diabetes can prevent serious complications by carefully managing their disease. To help support our employees who are diabetic, beginning July 1, 2015, employees with diabetes and/or gestational diabetes have been offered one-on-one case management services with a registered nurse to help them manage their condition. Several hundred employees have already enrolled in the program and we are providing outreach to more and more employees.

- **Continuation of the Dependent Eligibility Verification Audit** -- The comprehensive DEVA audit, which saved over $100 million last year, will be continued on a limited basis for three additional years to assure that enrolled dependents are eligible.

- **Changes to the Emblem Health Provider Schedule** – Emblem introduced reduced payments to their providers for radiology and durable medical equipment (DME) in 2016.

Savings Results

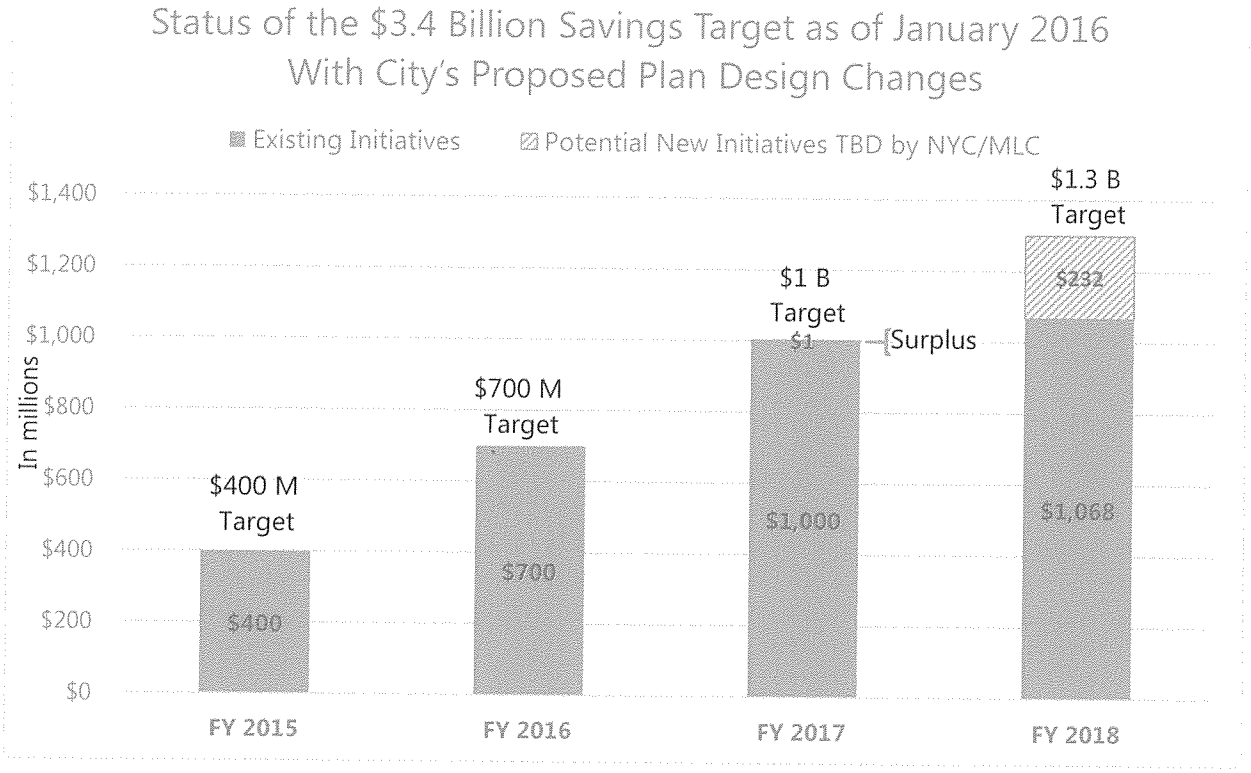
For FY 2017 and beyond, the plan design changes in GHI CBP and HIP HMO represent about $150 million per year in savings, while also encouraging better utilization of the important benefits offered by New York City to its employees.

Table 4

FY'17 Savings Summary	
GHI CBP Savings from Plan Design Changes	$84.7 M
HIP Savings from Value Based Network	$64.4 M
Subtotal: HIP and GHI CBP Plan Savings	$149.1 M
All Other Savings	$851.8 M
Total	$1.001B

With other programs put in place in FY 2016, along with the carryover of changes made in FY 2015, we are able to project that in FY 2017 we will exceed the $1 billion target. We are currently projecting that we have already secured almost $3.2 billion of the $3.4 billion savings goal.

Table 5



As we continue to work on new concepts for FY 2017 and 2018, we feel confident we will reach and exceed the $3.4 billion goal.

Finally, the City and the MLC also agreed to take approximately $120 million from the Stabilization Fund to provide a one-time $100 per employee and retiree contribution ($60 million) to the welfare funds and a $60 million payment to the City.

Promoting a Healthier Workforce

We have also continued our focus on improving the health of NYC employees through exploring a number of wellness initiatives. The data we obtained also helped us to identify the chronic conditions that we can help employees address.

The data analysis demonstrated that City health care expenses for heart disease, diabetes, hypertension, some cancers and other chronic diseases represents over 50% of the City's

total health care spend, suggesting that programs to help address the lifestyle factors that contribute to these diseases could impact costs, as well as improve the overall health of New York City employees. To that end, we have been working on a number of different approaches to health and wellness.

A cross agency team led by OLR has been working at advancing an improved and sustainable "Culture of Health" that will support our workforce in getting healthier and staying healthier. A number of programs have already been introduced and more will be implemented shortly to address fitness, nutrition and obesity, smoking cessation and stress reduction for the City's workforce. 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 important future cost savings implications. While some of these approaches won't have quantifiable savings we can specifically measure in the next year or two to contribute towards the health savings target, they are an important long term strategy to improve the health of the employee population and thereby reduce long term health care costs.

Fundamental to our programs is our belief that making wellness programs available at the worksite will mean that they have an even greater chance of impacting people's lives. The convenience of worksite programs makes it possible for people to fit them into their busy schedules.

We have already had initial success implementing the CDC's Diabetes Prevention Program at several agency locations. The CDC estimates that nearly 30% of the population is pre-diabetic and many of them will become diabetic. The CDC's proven curriculum can prevent a large number of people from becoming diabetic. While many diabetic prevention programs have had limited success engaging people in the community based programs, we

hope that by offering the convenience of worksite programs, we can interest many of our employees. We plan to bring the program to a number of new locations this year.

We also recognize that obesity impacts more than one third of the population, and that obesity related medical conditions include heart disease, stroke, diabetes and some forms of cancer, and that these are leading causes of preventable death. To help address this, we will be offering NYC employees access to a nationally recognized weight management program at a minimal cost -- in the workplace, in their communities and online. By agreement with the MLC, this is a joint labor management initiative where half of an employee's cost for the program will be subsidized by funding from the Stabilization Fund. With a significantly reduced rate offered for the weight management program, an employee's monthly cost to participate will be very low. We will begin offering this program in the Spring.

The Culture of Health team is also working on the roll out of several agency based worksite wellness demonstration projects in 2016. The programs will focus on providing health risk assessments and personal coaching, to help identify and encourage employees who may want to participate in smoking cessation, stress management, nutrition and, fitness programs to improve their health. We hope to use the demonstration project experience to validate the effective impact of wellness programming on health costs, employee engagement and reduced absenteeism, so that we can support scaling the programs Citywide.

We continue to promote the free flu shot program as an important preventive step to reduce more costly ER and doctor visits. The program, which began for employees in 2014, was offered again from September 2015 through December 2015. This year it was expanded to include covered dependents and pre-Medicare retirees. Flu shots are offered at no cost to employees at participating worksite locations, as well as at physician offices and participating pharmacies throughout the city.

To help support these programs, OLR has introduced a new section on its website for Employee Wellness that contains valuable information, links and tools to help maximize access to appropriate healthcare and educate the workforce about health issues and the City's health and wellbeing programs.

Future Plans for Fiscal Years 2017 and 2018

While we believe we have already secured the FY 2016 and 2017 savings goals, we are also actively working in partnership with the MLC to explore many new programs to enhance the cost savings.

- We are continuing to look at expanding innovative health care delivery models that emphasize a primary care focus. These models can provide access to the highest quality care and the best services for our workforce, especially those most at risk. With these models, the providers of care may assume some or all of the financial risk for patient outcomes.

- We will be exploring whether self-insuring the plans to further reduce risk charges and taxes is a viable option. Typically, plans far smaller than the City's, will utilize self-funding as the least expensive option.

- For our retiree population, we are also looking at expanding Medicare Advantage program options, which can potentially provide even better coverage to retirees while capping costs for the City.

Conclusion

We are extremely pleased to be reporting today that we have been able to achieve success for the first two fiscal years of the health care cost savings program, and even more importantly that we will reach the $1 billion savings goal in FY 2017 based on programs that

have already been agreed upon. We are especially proud that this has happened in a collaborative atmosphere between the City and its municipal unions.

Looking towards FY 2017 and 2018, we are committed to continuing our work with the MLC to identify the right programs to improve patient outcomes, improve the health of the workforce, and meet our cost savings goals. We are enthusiastic about potentially being able to share the health cost savings with the workforce in the future.

To keep all the stakeholders informed, we intend to continue to issue our quarterly updates as we move forward and we would be happy to come back to this Committee whenever requested to remain transparent with the City Council and the public in our approach to meeting our healthcare cost savings goals.

Thank you again for the opportunity to testify on our progress. At this time, we will take any questions from Committee members.

EXHIBIT A

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
Funding structure change in the City's GHI Plan The funding structure change last fiscal year 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.	$61 M	$62 M
Dependent Eligibility Verification Audit (DEVA) The DEVA program, which was an audit of dependent eligibility for coverage, and that resulted in conversions of family to individual health contracts, provides continued savings from lower health premiums.	$108 M	$101 M
Changes to the Care Management program The care management program was enhanced in two phases. In March/April 2015, the then existing pre-authorization program was enhanced to provide a timely and comprehensive review of hospital admissions and length of hospital stays. In addition, the previously limited case management program was expanded to include case management for all complex and high cost acute and chronic conditions, providing much needed services to employees, dependents and retirees with severe medical conditions. Further, new maternity management and readmission management programs were implemented. Then, under the second phase, effective January 1, 2016, a new vendor was selected to administer the program with the added responsibility of also implementing new pre-authorization requirements for outpatient procedures. These program enhancements generate savings for the City.	$21 M	$22 M
Specialty Drugs (PICA) program changes The contract with Express Scripts for the specialty drug program that was renegotiated in the previous fiscal year, and which also included certain cost management provisions such as preauthorization and drug quantity management programs to enhance savings, continues to deliver savings.	$21 M	$21 M
HIP Rate Savings Based on historical trends, the City's budget estimated a 9% increase in the HIP rate for fiscals 2016 and 2017. However, the rate was finalized at 2.89% in FY'16 and 5.98% in FY'17. The HIP rate reduction generates savings as the amount representing the differential would have otherwise been paid into the stabilization fund for all active employees and pre-Medicare retirees.	$343 M	$537 M
GHI Senior Care Plan Savings Similar to the HIP rate, the 8% annual increase budgeted for Senior Care premium increases for fiscals 2015 and 2016 was finalized at 0.32% & -0.07%, respectively.	$76 M	$85 M
Lower Radiology Fees Emblem has renegotiated the contract with their radiology providers for lower fees resulting in lower costs for the City.	$10 M	$20 M
Lower (Durable Medical Equipment) DME Fees Emblem has selected a single source vendor for DME that offers lower fees resulting in lower costs for the City.	$1 M	$2 M
HIP HMO Preferred Plan The transition from the existing HIP HMO plan to the HIP HMO Preferred Plan effective July 1, 2016, not only lowers the overall cost to the City for		$64 M

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
employees enrolled in the program but also lowers the benchmark HIP rate that drives the payment for all employees. The City is obligated to make an equalization payment into a Health Insurance Stabilization Reserve Fund – jointly controlled by the City and the MLC -- representing 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.		
GHI CBP Program Changes Effective July 1, 2016, changes are being made to the GHI CBP program that will address the underutilization of primary care and the overutilization of the hospital emergency room and specialty care. Additionally, changes will address the costs and overutilization of high cost radiology procedures like MRIs and CT scans, and laboratory testing. The changes are expected to generate significant savings.		$85 M
Telemedicine and ZocDoc The implementation of new programs such as telemedicine (i.e., access to physician services online and via telephone 24 hours a day), and ZocDoc (platform for online scheduling of doctor appointments) will expand City employees' access to immediate physician availability and thereby reduce costs for unnecessary emergency room utilization.	$1 M	$1 M
Diabetes Management Program The program, which focuses on gestational diabetes and complex case management for Stage 2 and Stage 3 diabetes, and, for which employees diagnosed with diabetes and/or gestational diabetes are being offered one-on-one case management services with a registered nurse to help them manage their condition, is expected to generate savings.		$1 M
Stabilization Fund Adjustment This is the adjustment to reflect a contribution from the stabilization fund (SF) to fill the gap between savings realized from program initiatives and the required savings target for the fiscal year. The actual SF adjustment is finalized at the end of the fiscal during true-up.	$58 M	
Total	**$700 M**	**$1.001 B**

EXHIBIT B

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	***22 Covered Preventive Services for Women, Including Pregnant Women***	***26 Covered Preventive Services for Children***
1) Abdominal Aortic Aneurysm one-time screening for men of specified ages who have ever smoked **2) Alcohol Misuse** screening and counseling **3) Aspirin** use for men and women of certain ages **4) Blood Pressure** screening for all adults **5) Cholesterol** screening for adults of certain ages or at higher risk **6) Colorectal Cancer** screening for adults over 50 **7) Depression** screening for adults **8) Type 2 Diabetes** screening for adults with high blood pressure **9) Diet** counseling for adults at higher risk for chronic disease, **10) HIV** screening for all adults at higher risk **11) Immunization vaccines** for adults--doses, recommended ages, and recommended populations vary {Hepatitis A, Hepatitis B, Herpes Zoster, Human Papillomavirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Tetanus, Diphtheria, Pertussis, Varicella **12) Obesity** screening and counseling for all adults **13) Sexually Transmitted Infection (STI)** prevention counseling for adults at higher risk **14) Tobacco Use** screening for all adults and cessation interventions for tobacco users **15) Syphilis** screening for all adults at higher risk	**1) Anemia** screening on a routine basis for pregnant women **2) Bacteriuria** urinary tract or other infection screening for pregnant women **3) BRCA** counseling about genetic testing for women at higher risk **4) Breast Cancer Mammography** screenings every 1 to 2 years for women over 40 **5) Breast Cancer Chemoprevention** counseling for women at higher risk **6) Breastfeeding** comprehensive support and counseling from trained providers, as well as access to breastfeeding supplies, for pregnant and nursing women **7) Cervical Cancer** screening for sexually active women **8) Chlamydia Infection** screening for younger women and other women at higher risk **9) Contraception**: Food and Drug Administration-approved contraceptive methods, sterilization procedures, and patient education and counseling, not including abortifacient drugs **10) Domestic and interpersonal violence** screening and counseling for all women **11) Folic Acid** supplements for women who may become pregnant **12) Gestational diabetes** screening for women 24 to 28 weeks pregnant and those at high risk of developing gestational diabetes **13) Gonorrhea** screening for all women at higher risk **14) Hepatitis** B screening for pregnant women at their first prenatal visit	**1) Alcohol and Drug Use** assessments for adolescents **2) Autism** screening for children at 18 and 24 months **3) Behavioral** assessments for children of all ages (Age: Up to 17 years) **4) Blood Pressure** screening for children (Age: Up to 17 years) **5) Cervical Dysplasia** screening for sexually active females **6) Congenital Hypothyroidism** screening for newborns **7) Depression** screening for adolescents **8) Developmental screening** for children under age 3, and surveillance throughout childhood **9) Dyslipidemia** screening for children at higher risk of lipid disorders (Ages: 1 to 17 years) **10) Fluoride Chemoprevention** supplements for children without fluoride in their water source **11) Gonorrhea** preventive medication for the eyes of all newborns **12) Hearing** screening for all newborns **13) Height, Weight and Body Mass Index** measurements for children (Age: Up to 17 years) **14) Hematocrit or Hemoglobin** screening for children **15) Hemoglobinopathies** or sickle cell screening for newborns **16) HIV** screening for adolescents at higher risk **17) Immunization** vaccines for children from birth to age 18 — doses, recommended ages, and recommended populations vary: Diphtheria, Tetanus, Pertussis, Haemophilus influenzae type b, Hepatitis A, Hepatitis B, Human

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	***22 Covered Preventive Services for Women, Including Pregnant Women***	***26 Covered Preventive Services for Children***
	15) Human Immunodeficiency Virus (HIV) screening and counseling for sexually active women **16) Human Papillomavirus (HPV) DNA Test:** high risk HPV DNA testing every three years for women with normal cytology results who are 30 or older **17) Osteoporosis** screening for women over age 60 depending on risk factors **18) Rh Incompatibility** screening for all pregnant women and follow-up testing for women at higher risk **19) Tobacco Use** screening and interventions for all women, and expanded counseling for pregnant tobacco users **20) Sexually Transmitted Infections (STI)** counseling for sexually active women **21) Syphilis** screening for all pregnant women or other women at increased risk **22) Well-woman** visits to obtain recommended preventive services	Papillomavirus, Inactivated Poliovirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Rotavirus, Varicella **18) Iron** supplements for children ages 6 to 12 months at risk for anemia **19) Lead** screening for children at risk of exposure **20) Medical History** for all children throughout development (Age: Up to 17 years) **21) Obesity** screening and counseling **22) Oral Health** risk assessment for young children (Age: Up to 10 years) **23) Phenylketonuria (PKU)** screening for this genetic disorder in newborns **24) Sexually Transmitted Infection (STI)** prevention counseling and screening for adolescents at higher risk **25) Tuberculin** testing for children at higher risk of tuberculosis (Age: Up to 17 years) **26) Vision** screening for all children

Note: Details regarding age-based, risk-based, and frequency-based criteria for accessing these free ACA mandated preventive care services are available at Healthcare.gov.

EXHIBIT C

Advantage Care Physicians (ACP) Locations		
Office	**Address**	**Area**
Bay Ridge Medical Office	740 64th St, Brooklyn, NY 11220	Brooklyn
Bedford Medical Office	233 Nostrand Ave, Brooklyn, NY 11205	Brooklyn
Brooklyn Heights Medical Office	195 Montague St, Brooklyn, NY 11201	Brooklyn
Downtown Medical Office	447 Atlantic Ave, Brooklyn, NY 11217	Brooklyn
Elite at 18th Street Medical Office	601 East 18th St, Brooklyn, NY 11226	Brooklyn
Empire Medical Office	546 Eastern Pkwy, Brooklyn, NY 11225	Brooklyn
Flatbush Medical Office	1000 Church Ave, Brooklyn, NY 11218	Brooklyn
Kings Highway Medical Office	3245 Nostrand Ave, Brooklyn, NY 11229	Brooklyn
Lindenwood Medical Office	2832 Linden Blvd, Brooklyn, NY 11208	Brooklyn
Rockaway Medical Office	29-15 Far Rockaway Blvd, Far Rockaway, NY 11691	Brooklyn
Flatiron District Medical Office	21 E. 22nd St, New York, NY 10010	Manhattan
Harlem Medical Office	215 W. 125th St, New York, NY 10027	Manhattan
Lincoln Square Medical Office	154 W. 71st St, New York, NY 10023	Manhattan
Lower East Side Medical Office	570 Grand St, New York, NY 10002	Manhattan
Midtown Medical Office	590 5th Ave, New York, NY 10036	Manhattan
Upper East Side Medical Office	215 E. 95th St, New York, NY 10128	Manhattan
Washington Heights Medical Office	4337 Broadway, New York, NY 10033	Manhattan
Astoria Medical Office	31-75 23rd St, Astoria, NY 11106	Queens
Cambria Heights Medical Office	206-20 Linden Blvd, Cambria Heights, NY 11411	Queens
Elmhurst Medical Office	86-15 Queens Blvd, Elmhurst, NY 11373	Queens
Elmhurst Pediatric & Multi-Specialty Office	88-06 55th Ave, Elmhurst, NY 11373	Queens
Flushing North Medical Office	140-15 Sanford Ave, Flushing, NY 11355	Queens
Forest Hills Medical Office	96-10 Metropolitan Ave, Forest Hills, NY 11375	Queens
Jamaica Estates Medical Office	180-05 Hillside Ave, Jamaica, NY 11432	Queens
Richmond Hill Medical Office	125-06 101st Ave, South Richmond Hill, NY 11419	Queens
Rochdale Village Medical Office	169-59 137th Ave, Rochdale, NY 11434	Queens
Rochdale Village Specialty Medical Office	169-27 137th Ave, Rochdale, NY 11434	Queens
Clove Road Medical Office	1050 Clove Rd, Staten Island, NY 10301	Staten Island
Annadale Medical Office	4771 Hylan Blvd, Staten Island, NY 10312	Staten Island
Babylon Medical Office	300 Bay Shore Rd, North Babylon, NY 11703	Long Island
Hempstead Medical Office	226 Clinton St, Hempstead, NY 11550	Long Island
Hicksville Medical Office	350 S. Broadway, Hicksville, NY 11801	Long Island
Lake Success Medical Office	1991 Marcus Ave, New Hyde Park, NY 11042	Long Island
Ronkonkoma Medical Office	640 Hawkins Ave, Lake Ronkonkoma, NY 11779	Long Island
Valley Stream Medical Office	260 W. Sunrise Hwy, Valley Stream, NY 11581	Long Island
Woodbury Medical Office	225 Froehlich Farm Blvd, Woodbury, NY 11797	Long Island

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Testimony of George Sweeting, Deputy Director of the New York City Independent Budget Office On Health Insurance Coverage Cost Savings To the New York City Council Committees on Civil Service & Labor and Finance February 26, 2016

Good morning Chairs Miller and Ferreras-Copeland and members of the civil service and finance committees. I am George Sweeting, deputy director of the New York City Independent Budget Office. Thank you for the opportunity to appear before you today regarding health insurance cost savings.

The Mayor's Office of Labor Relations has reported that the city achieved its health insurance cost savings target of $400 million in fiscal year 2015 and is well on its way to meeting the $700 million target for 2016. While this is good news as far as the budget is concerned, the savings achieved so far have less to do with controlling health insurance costs than with budget accounting and one-time actions.

The annual health insurance savings targets, which have a cumulative value of $3.4 billion through 2018, were laid out in an agreement between the city's Office of Labor Relations (OLR) and the Municipal Labor Committee (MLC) to achieve savings that offset some of the cost of the current round of collective bargaining settlements between the city and most of its workers.

Reducing the city's cost of health insurance by improving the health of city workers and by finding ways to encourage workers to use less costly means of accessing medical services were important objectives of the agreement between OLR and the MLC. Some of the savings reported for 2015 stem from such efforts. These include $19 million from imposing stricter preauthorization requirements on hospitalizations and diagnostic tests and more comprehensive case management for those with chronic conditions. Beginning in 2016, the city has introduced or expanded programs to help prevent diabetes among its employees and to help those living with the disease manage it more effectively.

Another new program discourages use of emergency rooms for non-emergency cases through higher co-pays and by offering employees referrals to alternative care options such as urgent care clinics and appointments with available in-network physicians. The city has also enhanced the incentive payment that encourages city employees with access to health insurance from another source to opt-out of city coverage. An existing program that gives city employees online and phone access to nurses for consultations and advice prior to going to a doctor's office or a hospital is also being expanded. At present, the city has not released estimates of the potential savings from these and other similar initiatives.

Clearly, such changes have the potential to slow the growth of the city's health insurance costs while still providing access to a set of comprehensive benefits. But a large part of the savings achieved in 2015 and of the savings that are expected for 2016 stem from changes that have more to do with accounting for differences

between projected and actual expenses and from removing some individuals from coverage who did not qualify and other one-time actions, none of which "bend" the health care cost curve.

There have been savings relative to what the city had budgeted in the 2015 adopted budget, which is the benchmark used for the OLR/MLC agreement. But some of the largest items have little to do with the current and future behavior and health of city workers. Of the $400 million in savings in 2015, $148 million results from the decision by the MLC not to require the city to reimburse the health stabilization fund after an arbitrator overturned a Bloomberg Administration initiative that used money from the fund to maintain parity between mental health benefits with general health insurance benefits from 2011 through 2015. Another big item is the $108 million in savings achieved by ending health insurance coverage for some dependents of city workers identified in an audit as not being eligible for coverage. There was no mention of attempting to recover the cost of the premiums paid in the past for those dependents. While it is good news that the city finally identified these cases, it is not clear that the averted costs represent savings that should count as part of a collective effort by the city and the MLC to alter the trajectory of health insurance costs.

Two other items credit the "savings" that resulted when actual premium costs for both primary insurance and for secondary coverage for Medicare recipients came in lower than the city had anticipated when the 2015 budget was adopted. Per the agreement between OLR and the MLC, such differences are counted towards the health insurance savings target. Although the savings amount to a combined $55 million in 2015, they are expected to be much more substantial in 2016 and in subsequent years.

The city's assumptions in June 2014 for health insurance inflation were higher than the health care trend rates implied in the Office of the Actuary's other post-employment benefits, or OPEB, estimates, particularly in 2016 through 2018, the last year of the agreement. At least in the first few years of the agreement, actual costs have been much lower than either set of projections. It makes sense that some savings from lower than budgeted health insurance premium costs should be credited towards the OLR/MLC savings initiatives. But to the extent that some of the savings results from a too high assumption of health insurance inflation, then it may not be appropriate to credit all of the savings to the agreement.

	Pre-Medicare/Primary			Medicare/Secondary		
Fiscal Year	OMB	HCCTR	Actual	OMB	HCCTR	Actual
2015	9.00%	9.00%	1.22%	8.00%	5.00%	0.32%
2016	9.00%	8.50%	2.89%	8.00%	5.00%	~0.00%
2017	9.00%	8.00%	5.98%	8.00%	5.00%	
2018	9.00%	7.50%		8.00%	5.00%	
2019	7.00%	7.00%		5.00%	5.00%	

Note: OMB values were those used in the 2015 adopted budget

Proper identification of savings that result from initiatives stemming from the OLR/MLC agreement is important, because under the agreement, if the savings targets are not achieved there are additional steps that come into play, including arbitration to choose from a menu of more onerous ways to meet the savings targets, including employee contributions for health insurance.

Thank you again for the opportunity to testify. I am happy to answer your questions.

CITIZENS • BUDGET • COMMISSION

2 Penn Plaza ■ 5th Floor ■ New York, New York 10121

TESTIMONY BEFORE THE NEW YORK CITY COUNCIL COMMITTEES ON FINANCE AND CIVIL SERVICE

MARIA DOULIS, VICE PRESIDENT, CITIZENS BUDGET COMMISSION

Friday, February 26, 2016

"Update on Health Care Savings Under Recent Collective Bargaining Agreements"

Good morning. I am Maria Doulis, Vice President of the Citizens Budget Commission (CBC). 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 testify today.

CBC has been monitoring New York City's efforts to find health savings. CBC has long advocated negotiating changes to health insurance as part of collective bargaining and applauded the labor-management agreement that committed to meet annual savings targets: $400 million in fiscal year 2016, $700 million in fiscal year 2017, $1,000 million in fiscal year 2018, and $1,300 million in fiscal years 2015 to 2018 ($3.4 billion in total).

As we have stated previously to this Committee, the guiding principles of this exercise should be to "bend the curve" on rising health care costs and to account for any savings produced clearly and honestly.

The results announced to date—for fiscal years 2015, 2016, and 2017— get a mixed grade. While some worthwhile and significant initiatives have been agreed upon, the savings targets have been met primarily with savings from lower-than-anticipated premium rate increases, not true reforms.

The City and MLC get high marks for changes that will reduce healthcare costs on a recurring basis. These changes are anticipated to save $477 million, or 23 percent, of the three-year, $2.1 billion target. The most significant of these changes is the just-announced transition from the existing HIP HMO plan to the HIP HMO Preferred plan, which will lower the benchmark premium rate and save the City an estimated $85 million in fiscal year 2017.

New care management programs for chronic conditions, including diabetes, are projected to save a combined $23 million in fiscal year 2017.

The City and MLC also used a data-driven approach to find savings in the GHI plan. The plan was converted to a minimum premium plan and new co-pays will be introduced to discourage

overutilization of emergency rooms, urgent care clinics, and specialists. These changes are expected to generate $147 million in savings in fiscal year 2017.

They get poor marks for claiming savings worth an estimated $1.1 billion, or 52 percent of the total, from lower than projected premium rate increases. Consistent with long-term trends, the financial plan projected health insurance spending to increase at an annual rate of 9 percent in fiscal years 2016 and 2017; but, the City's actual rate increases in those years will be 2.9 percent and 6.0 percent. Absent this agreement, these savings would have been available for the general budget.

Claiming such a large credit from a slowdown in health care inflation absolves the City and MLC of responsibility for continuing to make the changes necessary to fully modernize the City's health insurance plan. The parties have demonstrated they can work collaboratively and productively to achieve the right kind of savings: reforms that reduce overutilization and have the potential to improve health outcomes for city employees.

They get a mark of incomplete for $528 million in savings derived from other sources. These savings come primarily from terminating ineligible dependents following the conclusion of a long-overdue audit, but also from funds taken from the Health Insurance Stabilization Fund (HISF). The HISF was established in 1984 with annual deposits made by the city to fund the difference between the HIP and GHI plans, so that employees would not have to contribute to premiums out-of-pocket.

The HISF is expected to be the source of more than $200 million in savings announced to date. The fund was also tapped for $1 billion at the outset of collective bargaining negotiations in 2014, and will be used to fund preventative services at an annual cost of $48 million. Despite these large withdrawals, the HISF retains a balance well over $1 billion in taxpayer-provided funds. The City continues to contribute large amounts to the fund—even though it no longer serves its original purpose because the cost of HIP premiums has exceeded that of GHI since 2001.

As part of their efforts to reform health care provision, the City and MLC should work together to end further deposits by the City into the fund.

Thank you. I would be glad to answer any questions.

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