

LABOR HEALTHCARE COMMITTEE - WORKSHOP

Minutes

June 4, 2014

Committee Members Present: County Commissioner Jean Monestime
Deputy Mayor Russell Benford
Andy Madtes, Administrator, AFSCME 199

Other Attendees: Meeting Sign-In Sheet attached

At the suggestion of Committee member Andy Madtes at the May 13th meeting, the Labor Healthcare Committee ("Committee") was asked to host an all-day workshop and bring in experts to discuss possible plan alternatives and offer recommendations for cost savings.

Ms. Arlene Cuellar, Director of Human Resources, opened the discussion at approximately 9:25 a.m., by introducing the workshop agenda for the day. The agenda included the following presentations:

- Cost Savings Initiatives - Jim Repp, Sr. Vice President, AvMed
- Benefits Scenarios - Glen Volk, Vice President & Consulting Actuary, Gallagher Benefit Services
- Jackson Benefit Models - Mark Knight, Chief Financial Officer, Jackson Health Systems

AvMed Presentation - Mr. Repp began his presentation with a historical perspective of AvMed's cost savings initiatives since the 2008 plan inception. Please refer to AvMed presentation handout dated June 4, 2014.

- Over the last four years, there was a \$56 million aggregate savings when comparing budgeted cost to actual.
- AvMed safeguards the County's money as well as their own, because the same provider discounts apply to self-insured clients as to fully insured clients.
- Provider negotiation is an ongoing process because contracts expire at different times.
- AvMed constantly audits claims for fraud, to assure the rates charged are accurate.
- Subrogation is a cost savings tool ensuring the responsible carrier pays before AvMed;
- Applied cost controls to out-of-network claims through the Maximum Allowed Payment (MAP) program.
- Other cost containments include:
 - Monitor claims procedure codes to assure the prescribed care is necessary;
 - Manage high-tech radiology services (typically over-utilized);
 - Monitor preferred drug list and release of new generics, making adjustments to the drug formulary to realize savings.
- AvMed's overall network discounts are equal to or better than the industry average.
- AvMed is currently in negotiations with pharmacy benefit manager which will result in meaningful savings for January 2015.
- AvMed is committed to continue to develop the Select Network to assure acceptable access, lower unit costs, and provide better utilization and higher quality.
- Provide program that focuses on neo-natal intensive care admissions to assure the care is managed appropriately throughout the entire process.

Deputy Mayor Russell Benford asked AvMed how their formulation of the Select HMO Network resulted in savings. Mr. Repp responded: The Select Network is a robust network. During the program's first year, feedback from potential enrollees indicated that the geographic footprint was not broad enough to meet the needs of all County employees. AvMed is able to negotiate better rates (better unit costs) when there are less providers in the network to manage the population. As more facilities are added to the network, the value to participating providers is reduced and dilutes the savings to the County. Facilities not in the network are higher cost facilities. He added that they cannot ask for a 10% across the board reduction in rates without also adding value to the provider.

Mr. Duane Fitch asked AvMed to comment on the difference in rates between Jackson and other network facilities. Mr. Fitch stated that the separation in cost between Jackson and the other providers is huge; he asked how can the gap be closed (e.g. reduce the rates for non-Jackson providers)? Also, Mr. Fitch said that by moving the rest of the network providers closer to Jackson, there would be a savings potential that is outside of plan design changes and shifting costs to employees

Mr. Repp suggested that Jackson is in a better position to answer why their rates are lower. He added that there is data available from independent sources that compare cost structures from multiple carriers and the difference in cost between Jackson and other facilities is fairly consistent from company to company. Mr. Repp added that, "It's a case of "supply and demand." Looking at it from a market standpoint, the facilities more in demand will command a higher rate.

Mr. Tyrone Williams asked if there were any other facilities in the Select Network besides Jackson that were government subsidized. AvMed responded that it was necessary to compare "apples to apples" and look at all the pricing components. Mr. Repp explained that from a negotiation standpoint, unless you are prepared to reduce the network size as a concession to the non-Jackson providers, there's no incentive for them to reduce their rates in order to close the gap with Jackson.

Mr. Fitch asked if he was saying that there is no immediate potential for savings by reaching out to the other network providers, pointing out the disparity between their rates and Jackson's and asking them to close the gap (e.g. lower their rates to be closer to Jackson's)?

Mr. Repp responded – Realistically, that would be very difficult. Providers are looking for something in exchange for a concession and the argument cannot be that the cost differential between them and Jackson is too high, "you must bridge the gap." The challenge is about volume, you can aggregate large clients, but the clients are already going to the facilities, so the volume is the same.

Mr. Fitch asked if adding other groups to the County program will make a difference in network discounts. Mr. Repp stated that creating an aggregate mega pool of employers will not make a difference in improving network discounts. From a provider's standpoint, merging five large clients together into one group will not drive new patients to the facilities, as the providers already have the work and there is no increase in volume.

Mr. Santiago Leon commented that in the Miami market there is a trend towards excessive utilization of specialized and diagnostic services. He asked Mr. Repp if he anticipates the need for design changes to move employees towards expanded primary care and if so, how will that impact the payment structure to incentivize primary care physicians (PCP) to absorb more of the specialized care.

Mr. Repp responded that AvMed already has some tools in place. For example, to manage high tech radiology services, they have the Radiology Program, which screens for redundancy and improper utilization. The High Performance Network of Specialists was developed to assure the highest quality of care and best outcomes. AvMed is also developing new products which require the selection of a primary care physician (PCP) to be at the center of the patient's care and directly handle specialist referrals, but the new product is less restrictive for the patient than the HMO gatekeeper model.

Ms. Mishell Warner asked if volume migration to the Select Network Plan will result in lower premiums for family coverage. She added that many JHS low-income employees cannot afford the dependent premiums, consequently, their dependents are uninsured. Ms. Warner expressed concern that the Affordable Care Act imposes mandatory health insurance enrollment in 2016, or a person will face tax penalties, but coverage through the marketplace is not available to individuals with access to coverage through an employer. Ms. Warner was advised that her statement was incorrect. In fact, employees and their dependents may enroll for medical coverage through the public exchange, but will not be eligible for premium assistance if the employer provides affordable essential coverage.

Commissioner Monestime asked Mr. Repp what are some of the drivers that create the gap in rates between Jackson and other providers? Mr. Repp suggested holding that question until Jackson makes their presentation.

Mr. Santiago Leon asked if AvMed is willing to set-up worksite health centers for County employees.

Mr. Repp's response was that if the County wants to go in that direction, they are willing to sit down and have a discussion. He asked if there were any further questions and ended his presentation.

Gallagher Benefits Services - Mr. Glen Volk's presentation covered benefit scenarios using targeted levels of savings to the County, from \$20M – \$100M, as requested by the Committee at the May 28th meeting. Refer to Gallagher handout dated June 4, 2014.

- Slide #3 shows the impact of increasing the network discount by 10% to non-Jackson providers, one of the takeaways from the last meeting. He stated that applying a 75% network discount to the 2013 billed charges would result in a reduction of \$44.8M and that would not be acceptable to the providers.
- Mr. Volk then reviewed five (5) scenarios that would result in savings of \$20M-\$40M-\$60M-\$80M-\$100M. The illustrations (slide #4) ranged from moderate to significant modifications to the POS and High HMO plan design, such as increasing copayments, or introducing hospital copayments and annual deductible (High HMO Plan). The idea is to change employee behavior and encourage utilization of more cost effective options.
- Slide #5 illustrated contribution scenarios with an increase in the POS and High HMO employee only premium. No change in premium to the Select Network HMO.
- Slide #6, demonstrates the resulting cost reductions if the plan design changes in slides #4 and 5 are applied. He reminded the audience that the County plans will begin to incur additional costs in 2015, because the Affordable Care Act requires pharmacy copays to count towards the out-of pocket maximum. That means plan costs will increase when employees reach their out of pocket ceiling sooner and if the ceiling is not raised, anticipated savings will not be realized.

He also warned that preserving the Select Network Plan benefits intact while increasing the High HMO copayments to encourage migration may have the unintended effect of making the Select Plan richer than the High HMO Plan and may diminish some of the projected savings. Mr. Volk explained that the information presented were illustrations and not recommendations. Ms. Cuellar asked why the lower premium in Scenario 1 – Select Plan, doesn't apply to the other scenarios? Mr. Volk answered: Scenario 1 assumes 10% migration, not enough to make much difference. For the others scenarios across the page, as the migration percent increases (employees enroll in the plan) the Select Plan costs increase because the plan is richer; the copays did not increase as in the High HMO and overall savings are reduced. As plan differences get bigger and cost to stay in the High HMO increases, employee migration will increase because the Select Plan now offers better value.

Deputy Mayor Russell Benford asked for clarification on the definition of cost shift vs. savings? Mr. Volk explained that the efficiencies identified are not coming out of employee or employer pockets (e.g. moving from Emergency Room to UCC, hospital to free standing, etc.). The contribution savings comes from charging a higher premium to employees.

Mr. Volk provided suggestions on Wellness. He explained that typically, employers introduce a smoking cessation component by applying a monthly surcharge (e.g. \$50 to \$100) to smokers, but employees can avoid the surcharge by taking a smoking cessation course before open enrollment. He explained that the intent is not to collect a premium, but encourage life style changes. Today, usually 15% of employees are smokers. Other possible options are requiring employees to take a health risk assessment and biometric screenings and give points upon completion. Points translate into lower premiums. He added that wellness savings take time, health doesn't improve that rapidly, but it gives employees a desire to improve. Wellness vendors say the return on investment for every \$1 spent is \$3. He also indicated that savings are difficult to validate but there is evidence that wellness programs perform well.

Jackson Health/SEIU Presentation - Mr. Mark Knight and Ms. Martha Baker presented a "Jackson Only" option- no hard copies provided.

Ms. Baker stated they wanted to come up with a JHS model that could meet the group goals of a "Win-Win-Win" scenario:

- Lower premiums for employees;
- JHS Sustainability;
- Decrease County cost.

Mishell Warner expressed that many low wage workers cannot afford to insure their family. She explained that when people go to JHS and they are uninsured, taxpayers end up paying the bills. She reiterated that it doesn't make sense that affordable family plans are not available for employees.

Mr. Knight cited accolades and awards received by Jackson for their services and the geographic footprint in Miami-Dade County. The Bond Program allowed upgrading of some JHS facilities, expanding primary care physicians and Urgent Care Centers (UCC) in Doral and West Kendall. He also reminded the audience that 70% of physicians in the County's AvMed Plan are participating in the Select Network and the remaining 30% who do not have privileges in JHS facilities, are eligible to apply.

The "Jackson Only" or the "Jackson First" Plan is a lower cost alternative being proposed for JHS employees in 2015, that will have a different cost structure. This plan provides a lower cost alternative with a smaller network and higher level of service through Jackson facilities.

Currently, the benefits for the AvMed High HMO and the Select Network HMO Plan are the same; the difference is that Select Plan has a narrower network of providers resulting in lower premiums for employees with dependent coverage.

The proposed "Jackson First" Plan will have the same benefits as the Select Plan, but lower dependent premiums, because the hospital and diagnostic services network will be limited to Jackson facilities. Using the Jackson facilities results in lower network unit costs which are then passed on to employees in the form of lower family premium. The "Jackson First" Plan will offer an enhanced level of service through a dedicated concierge line. Employees will get expedited appointments for physician and diagnostic services by contacting a scheduling center.

Deputy Mayor Edward Marquez asked – If an employee lives two blocks from Baptist, will Concierge service direct the employee to a JHS facility? Mr. Knight responded that it depends on the employee's plan option. If the employee is enrolled in the Select Network Plan, Baptist is a participating provider. If enrolled in the "Jackson First" Plan, the employee will be referred to a JHS facility.

Mr. Santiago Leon asked:

- If the "Jackson First" Option was a self-funded plan for JHS employees?
- Who was bearing the risk?

Mr. Knight responded that the funding source and risk factor would not change. JHS employees contribute to the same self-insurance fund that County employees do. The third party administrator would pay the claims from the Insurance Fund. He added that the finance model was not changing.

Mr. Madtes asked if the "Jackson First" Plan would be the only medical plan available to JHS employees? Mr. Knight responded that it would be an additional plan option. Employees would have four (4) medical plan choices to enroll in and once enrolled in a plan, they must stay within that plan's specific network of providers to access services. There would be huge penalties for going out of network.

Ms. Baker reviewed the highlights of the proposed plan:

The "Jackson First" is an additional option for JHS employees proposed for January 2015, but can be extended to County employees also.

- The plan is directed to employees with families and it trades flexibility for lower premium.
- Emergency care is covered at non-Jackson facilities same as other plans.
- The proposal would not require a copay or deductible for services performed at Jackson facility.
- Same physician network as Select Plan
- Same pharmacy benefits
- Non-emergency, inpatient, outpatient and diagnostic services must be performed at a Jackson facility
- For JHS employees that want to help sustain Jackson, there is minimal difference between this plan and the High HMO, with much cheaper dependent premium
- Savings are passed on to employees in the form of lower dependent premiums
- The part that has not been developed is enhanced wellness and disease management services to further reduce costs

- The plan includes a concierge service to help schedule lunch time appointment before or after work
- The “Jackson First” family premiums will save employees \$100 per pay period

Ms. Cuellar asked if the “Jackson First” Plan results in savings for the County. Mr. Knight responded – No, because the savings from employees using Jackson facilities (which has lower unit cost) will all go to lowering the dependent premiums.

Ms. Cuellar referred to the “Win, Win, Win” objective that Ms. Baker spoke of and asked where the “win” for the County was if in the option presented all of the savings was going to the employees.

Deputy Mayor Marquez stated that the County does not disagree that the savings from the “Jackson First” model strengthens JHS margin, but does not address the County's general fund deficit issue.

Mr. Tyrone Williams asked if Jackson would lower its contracted rate since the number of facilities participating in the network will be reduced? Mr. Knight responded – No, JHS rates are low enough. He added that Gallagher has greater resources to prepare analysis to project any savings to County.

Mr. Dan Chang, Miami Herald Reporter, asked Mr. Knight to address why Jackson's contracted rate is lower than the other hospitals and whether it was due to the County tax support? Mr. Knight responded that tax dollars go to dedicated sources such as trauma services and treating the indigent population. Jackson's uncompensated costs greatly exceed the property tax proceeds.

Ms. Cuellar asked Mr. Knight how Jackson's negotiated rates with AvMed compare to other insurance carriers. She added that since AvMed was asked to lower their network discount rate with non-Jackson providers by 10 percent, it would be good to have a base for comparison as to what Jackson's average discount is for other carriers. Mr. Knight stated that negotiated rates with other carriers are proprietary information; each carrier has a different rate and the information falls outside of the scope of the discussion.

After the lunch break, Ms. Cuellar resumed the meeting.

Mr. Madtes asked Mr. Volk how the savings scenarios would be impacted if premiums would not be added for the Employee Only tier. Mr. Volk responded that he did not believe plan design changes alone were enough to encourage employees to move to the Select Network Plan.

Deputy Mayor Benford stated he was interested in the outcome if the “Jackson First” Plan was added to the scenarios presented. He liked the fact that the “Jackson First” plan provided a savings to families.

Mr. Volk cautioned that the migration assumptions may not materialize. He mentioned that the Select Plan is in the second year and the JHS employee enrollment numbers did not improve significantly.

Ms. Baker, in response to the comment about the Select Plan's low enrollment, stated she is long service JHS employee and was not aware of the Select Network Plan. She stated that the plan was not advertised or bargained with the union. In addition, she would have enrolled in the Select Plan if she had been aware of it, particularly if her copayments would have been waived by using a Jackson facility.

Ms. Patricia Nelson from AvMed, clarified that the Select Plan copays are not waived for Jackson facilities. The copays in the Select Plan are exactly the same as the High HMO. The difference between the two plans is that the Select Plan has lower dependent premiums and a smaller hospital network. Both plans have \$0 premiums for the Employee Only tier, so there's no incentive for this group to migrate to the Select Plan and be subject to a restricted network.

Mr. Madtes suggested the group consider all the information provided. There were five scenarios illustrating different options. He commented that the picture had been painted and that all the cards were put on the table. He added that the group needed to consider what the next step should be and determine how to get there. He added that the "Jackson First" option looked great. He also commented that the nine unions have to be on the same page and know the options.

Mr. Leon asked what was the downside of the County offering a high deductible health plan with a savings account. Mr. Volk responded that type of plan could actually hurt. The only employees who would be interested are those betting they are healthy siphoning off the healthiest group and putting them in plan where they don't contribute as much.

Deputy Mayor Benford agreed with Mr. Madtes. The group has a great deal of data. The group's objective was to review healthcare options, analyze the data, develop savings scenarios and make recommendations.

Ms. Cuellar asked if there were any other modeling scenarios anyone would like to discuss. She added that the group needs to arrive at a consensus in order to prepare recommendations.

A lengthy discussion followed with the Committee and audience members taking turns asking for clarification on specific points in the Gallagher modeling scenarios, such as projected savings, possible employee migration to the lower cost plans and coverage differences between the High HMO, Select Network and the proposed "Jackson First" plans.

Mr. Madtes offered to meet with the other labor unions within the next two weeks to get their input on the modeling options discussed at today's workshop. Ms. Cuellar asked if he was willing to make a presentation to the Committee at the next meeting and Mr. Madtes agreed.

A motion to adjourn the meeting was made by Deputy Mayor Benford, seconded by Mr. Madtes. The meeting was adjourned at 3:25 p.m.

	NAME	TITLE	ORGANIZATION OF COMPANY	PHONE	E-MAIL
1	Judy Marsh	Comm Reporter	Clerk of Board	(305) 375-1967	
2	Clan Volk	consultant	Ballagher	561-998-6751	8len_volk@sig.com
3	Mark Bogert	consultant	Gallagher		mark-bogert@sig.com
4	MANUEL OTERO	VICE PRESIDENT	AFSCME LOCAL 121	305-343-4716	MANUEL@AFSCME.COM
5	Susana Ramirez		HR	X 4734	
6	Micodella Nekke	AM	Gallagher	SK 1-998-6744	Micodella_Nekke@sig.com
7	Barbara Crause	VP Consultant	Gallagher	305-343-4747	
8	Melaine McLean	HR Div Dir.	Miami-Jade	305-375-2325	melaine@miamidade.gov
9	FAT NELSON	Reg Nurse	A Med	3056716168	fatnelson@mednet.org
10	Diane Fitch	Pres	FHC	630253836	d.fitch@halthome.com
11	ANNESTIA FERREROS	REGISTRATION	OFFICE OF THE COMM	305-375-3886	anferreros@miamidade.gov
12	Sean McCracken	Legislative Director	Comm Moved into	375-5385	mccracken@miamidade.gov
13	Viviana Piferrer				
14	Martha Baker	SEU 1991			
15	Jennifer Lambert	SEU 1991			
16	Ceil Hernandez - Admin		office of the chair	X3608	ghernandez@miamidade.gov

LABOR HEALTHCARE COMMITTEE

FACILITATOR: Arlene Cuellar, Director-Human Resources Department

Meeting Date: June 4, 2014
Place/Room: SPCC 18 3 & 4

	NAME	TITLE	ORGANIZATION or COMPANY	PHONE	E-MAIL
17	JIM REPP	SVP	AVMED	786-877-8204	jim.repp@avmed.org
18	CHARMAY BROWN	Labor Specialist	HR-Labor Relations	305 375 4870	meb@miamicity.gov
19	Merrie Gonzalez	Ben. Admin.	HR		mgonz@miamicity.gov
20	Delise Miller	Labor Specialist	HR	305 375 1573	dellise@miamicity.gov
21	Dan Chong	Reporter	Miami Herald	954 587 1413	dchong@miamiherald.com
22	ELI FEINSTEIN Andy Maddis	EMT & Assoc. Pres.		305-904-2828	Elifeinstein@icloud.com
23	TERRY MURPHY		Public Affairs Council	305 322 6707	terrymurphy@icloud.com
24	LISA MADDIS	Chief of Staff	MDC	305 375 2911	lsmaddis@miamicity.gov
25	Andy Maddis	ASST	AFSCME	786-212-2900	amaddis@miamicity.gov
26					
27					
28					
29					
30					
31					
32					

LABOR HEALTHCARE COMMITTEE

FACILITATOR: Arlene Cuellar, Director-Human Resources Department

Meeting Date: June 4, 2014

Place/Room: SPCC 18 3 & 4

	NAME	TITLE	ORGANIZATION OF COMPANY	PHONE	E-MAIL
33	Blanca Hernandez	Event Mgr	AMEL	305 671-6170	Blanca.hernandez@ame.com
34	Mandi Whitehead	lab Rel's Mgr	HR / PR	1592	mandy@mandade.com
35	Keith Connor	Sr Budget Analyst	OCA	X 1233	kcc@minimide.com
36	SMITHCO LEAD		ACC	3143 94338	SICOR @CCBRAKERS.COM
37	IC del Valle	SEIU lawyer			
38	JC del Valle	Assistant Vice President	UNIVERSITY of MIAMI	305 284 6282	jcdelvalle@miami.edu
39	Ramona White	Union Nat. Off.	ITR	201-275-1020	
40	Mishell Warner	AFSCME	AFSCME	726 367 7715	afscme local 1363@bellouth.com
41	Viviana Dyan-Shim	President AFSCME	AFSCME	786 295 595	afscme 1363 viviana@bellouth.com
42	Jamie Lewis	AFSCME 3002			local 3292@aol.com
43	Emilio Arzay	AFSCME 121			
44	Rebecca Wakefield		SEIU 1991	305 656 6555	Rebecca.wakefield@seiu.org
45	Arlene Cuellar	Director - HR	MDC		
46	Ed Marquez	Deputy Mayor	MDC		
47	Jean Monestime	Commissioner	MDC		
48	Russell Benford	Deputy Mayor	MDC		