



MEBB Study and Formulating Committee

Metro Code Change for PPO –
Discussion Continuation

December 14, 2020

Purpose of today's meeting

- Follow-up to the discussion from the December 1, 2020 meeting regarding the possible amendment to the Metro Code related to the specificity of the PPO plan's out-of-pocket maximum
- Questions arose concerning member impact and possibility of adding a deductible instead of amending the Code
 - **How many members in the PPO plan exceeded their out-of-pocket (OOP) maximum in 2019?**
 - **26%** enrolled in single coverage met/ exceeded the \$1,000 OOP maximum
 - **15%** enrolled in family coverage met/ exceeded the \$2,000 OOP maximum
 - **What about adding a deductible to the PPO plan instead of changing the out-of-pocket maximum?**
 - The intent for a Code amendment to remove the specific amount of the PPO plan's out-of-pocket maximum from the City's Code of Laws is to provide the Benefit Board with the flexibility and control to ensure the PPO plan continues to be a plan that meets the members' needs for both coverage and affordability.
 - Article 13 of the Metropolitan Charter states that the Benefit Board is responsible for administering, managing, and coordinating the employee benefit plans of the Metropolitan Government.
 - Adding a deductible is one of the options that can be considered by the Metro Employee Benefit Board as they evaluate future plan changes

Numerous approaches are available to employers to manage the plan costs

Primary Approach

Plan changes

- Setting appropriate levels of cost sharing with employees - copayments, deductibles, and co-insurance
 - These should be set at levels that encourage members to be good consumers.
 - **In 2021, PPO plans with \$0 deductibles are almost non-existent**
 - \$0 deductible PPOs are not common among Metro's peer cities (who still offer a PPO)
- Due to the PPO plan's out-of-pocket maximum being codified and structured to prohibit a deductible, the Metro Employee Benefit Board has had limited ability to effectively use this approach to help manage contribution rate increases

Other Approaches*

- **Dependent Eligibility Verification**
- **Healthcare Claim Review**
- **Case/Disease Management**
- **Spousal Surcharge/Carveouts**
- **Wellness initiatives/promote wellness**
- **Pharmacy Management Programs**

Without employing one or more of these approaches, employers may find it necessary to increase contribution rates

**-
which is what Metro has been forced to do.**

* This is not an exhaustive list

Comparing Metro's medical plans' designs and 2021 cost to other cities

Metro Nashville

2021 Annual Employee Contribution		
	BCBS PPO	Cigna Choice Fund
Single	\$2,316	\$2,544
Family	\$5,940	\$6,660

Plan Design		
	BCBS PPO	Cigna Choice Fund
Single		
OOP Max	\$1,000	\$1,150
Deductible	\$0	\$450
Family		
OOP Max	\$2,000	\$2,300
Deductible	\$0	\$900

Birmingham, AL

2 plan options: Lower cost PPO and Higher cost PPO

- Both plans have the same Deductible and OOP Max
- Plan differences are in the copays, coinsurance, i.e., the Lower cost PPO has higher copays & coinsurance

2021 Annual Employee Contribution		
	Lower Cost PPO	Higher Cost PPO
Single	\$390	\$1,326
Family	\$2,548	\$5,668

Plan Design	
	Lower Cost PPO and Higher Cost PPO
Single	
OOP Max	\$4,000
Deductible	\$1,500
Family	
OOP Max	\$8,000
Deductible	\$3,000

HDHP = High Deductible Health Plan
 HSA = Health Savings Account
 OOP = Out-of-pocket

Comparing Metro's medical plans' designs and 2021 cost to other cities (cont.)

Salt Lake City, UT

- Only 1 plan option: HDHP with HSA

2021 Annual Employee Contribution	
Single	\$255
Family	\$764

Plan Design	
Single	
OOP Max	\$4,000
Deductible	\$1,500
Family	
OOP Max	\$8,000
Deductible	\$3,000

Austin, TX

- 3 plan options: HDHP with HSA, PPO and HMO

2021 Annual Employee Contribution*			
	HDHP	PPO	HMO
Single	\$0	\$120	\$240
Family	\$5,066	\$7,701	\$7,821

Plan Design			
	HDHP	PPO	HMO
Single			
OOP Max	\$5,000	\$4,000	\$4,500
Deductible	\$1,500	\$500	\$0
Family			
OOP Max	\$6,850	\$4,000/person (\$12,700 max)	\$4,500/person (\$8,000 max)
Deductible	\$3,000	\$500/person (\$1,500 max)	\$0

*Rates shown are for full-time employees

Comparing Metro's medical plans' designs and 2021 cost to other cities (cont.)

Dallas, TX

3 plan options: HDHP with HSA, HMO and PPO

- OOP Max: same for all 3 plans
- None of the plans provide out-of-network coverage
- PPO and HMO plans employee contributions are based on salary

2021 Annual Employee Contribution			
	HDHP	HMO*	PPO*
Single	\$360	\$480	\$900
Family	\$5,496	\$5,856	\$6,936

*Rates shown are for full-time employees with annual salary range of \$44,000 - \$66,000

Plan Design		
	HDHP	HMO and PPO*
Single		
OOP Max	\$6,350	\$6,350
Deductible	\$3,000	\$1,500
Family		
OOP Max	\$12,700	\$12,700
Deductible	\$6,000	\$3,000

Comparing Metro's medical plans' designs and 2021 cost to other cities (cont.)

San Antonio, TX (provides different medical plans to civilian employees versus uniform police and fire)

- **Civilians** have 3 plan options: HDHP with HSA, HMO and PPO
 - Employees hired on/after 1/1/2009 pay higher contributions than those hired before 2009
- **Uniform Police and Fire** have 2 plan options: HDHP with HSA and PPO

Civilians 2021 Annual Employee Contribution			
	HDHP	HMO	PPO
Single			
Pre-2009	\$222	\$445	\$936
2009+	\$527	\$995	\$2,071
Family			
Pre-2009	\$1,591	\$2,995	\$6,248
2009+	\$3,463	\$5,546	\$10,390

Civilians Plan Design		
	HDHP	HMO & PPO
Single		
OOP Max	\$4,000	\$3,500
Deductible	\$2,000	\$1,500
Family		
OOP Max	\$8,000	\$7,000
Deductible	\$4,000	\$3,000

Uniform Police and Fire 2021 Annual Employee Contribution		
	HDHP	PPO
Single	\$0	\$0
Family	\$0	\$2,192

Uniform Police and Fire Plan Design		
	HDHP	PPO
Single		
OOP Max	\$3,000	\$1,500
Deductible	\$3,000	\$500
Family		
OOP Max	\$6,000	\$3,000
Deductible	\$6,000	\$1,000

The projected contributions in 2027 (assuming 5% annual increases) will be unaffordable for a larger segment of members

Employee Monthly Contributions	2021	2027
BCBS PPO		
EE Only Coverage	\$193	\$259
EE +Child(ren) Coverage	\$270	\$362
Family Coverage	\$495	\$663
Cigna Choice Fund (Account-Based Plan)		
EE Only Coverage	\$212	\$284
EE +Child(ren) Coverage	\$303	\$406
Family Coverage	\$555	\$744

Points to consider:

1. If Metro’s annual pay increases do not keep up with health plan increases, the cost of health coverage will continue to erode employees’ wages.
2. Will Metro be able to continue to fund their 75% portion of the contribution in 2027?
 - **2021 - \$156,500,000**
 - **2027 - \$215,200,000**

Note – these amounts exclude Pensioners with Medicare and assume the enrollment by coverage tier will be the same as Aug 2020, and enrollment will be split 50-50 between the 2 plans

By 2027, the cost of medical insurance may be deemed unaffordable for a larger segment than current

2019 Workforce Insights Survey Respondents Interested in a Lower Cost Plan:

- **44% with salary < \$40,000**
- **32% < age 35**

Note: **MNPS Support Staff (who comprise 1/3 of Metro's workforce with benefits) were not included** in the survey due to timing (occurred during summer break)

% of Metro Employees with 2019 Gross Compensation Under the Following Thresholds:

< \$40,000 – 35%

< \$50,000 – 50%

< \$60,000 – 64%

Department	Average 2019 Gross Comp	# of Employees	2021 Cost of Family Coverage* as % of Gross Comp	2027 Cost of Family Coverage* as % of Gross Comp**
MNPS Support Staff	\$32,922	3,750	18%	21%
MAC	\$39,688	259	15%	17%
Health	\$51,942	440	11%	13%
Police Officer II	\$55,000	900	11%	12%
Police	\$71,089	1,743	8%	10%
Public Works	\$51,672	384	11%	13%
Fire	\$72,897	1,184	8%	9%
All Departments	\$53,942	11,964	11%	13%

* PPO Plan

** Assumes annual 2% salary increases

Recommendation for consideration

Recommend an amendment to the following Code section to remove the language specifying the out-of-pocket maximum:

- *Code Section 3.08.110 - Insurer selection—Procedure—Plan approval by council required, Section E.*
- Language to remove: *"The annual out-of-pocket maximum for individual PPO coverage shall be one thousand dollars and for family coverage two thousand dollars. The individual out-of-pocket non-PPO maximum shall be five thousand dollars and family shall be ten thousand dollars."*

Without a recommendation to the Code by this Committee, it will be **4 to 5 more years** (before the next Study & Formulating Committee is convened) before the Benefit Board may have the ability to make changes to ensure the PPO plan remains affordable for all members