

# Employee Health & Pharmacy Benefits Proposal

*Presented to:  
Finance & Facilities Committee  
February 7, 2013*



# History

## Self-Insurance

- UNM's Group Medical Plan has been self-insured since FY 2010
  - Prescription Drug carve-out
- Third Party Administrators (TPAs) have administered the medical and pharmacy plans
  - Medical TPAs: Lovelace & Presbyterian
  - Pharmacy Benefit Manager: Express Scripts

# Rising Cost of Health Care

## UNM Specific Challenges

- Average employee age ~ 50
- Under age 65 retirees are on active plan
- UNM provides choice (3 provider networks): Lovelace, Presbyterian, & UNMMG
- Healthcare Reform has increased costs by approximately 2.2%

# Employee Benefits Proposal

## Current Enrollment

### Individuals Impacted

	Lovelace	Presbyterian
Active Employees	3,516	2,073
Active Dependents	3,505	2,302
<b>Total Active Lives</b>	<b>7,021</b>	<b>4,375</b>
Under 65 Retiree	371	236
Under 65 Retiree Dependents	269	215
<b>Total Under 65 Retiree Lives</b>	<b>640</b>	<b>451</b>
<b>Total UNM Medical Plan Lives</b>	<b>7,661</b>	<b>4,826</b>
<b>Total Membership Allocation</b>	<b>61%</b>	<b>39%</b>
<b>Medical Plan Employees and Retirees</b>	<b>6,196</b>	
<b>Medical Plan Dependents</b>	<b>6,291</b>	
<b>Grand Total Medical Plan Lives</b>	<b>12,487</b>	

# Rising Cost of Health Care

## Trends

- UNM's premium increases have averaged 2.7% since self-funding began
- UNM's claim increases have averaged 10% since FY 11
  - Excluding FY 10 due to first year self-insured transition
- Segal national trend survey for FY13 projects cost increase of:
  - Medical without Rx 9.3%
  - Rx carve out 6.4%

# Employee Benefits Proposal

## Fiscal Year 2014

- Convened a committee with broad representation to develop RFP & evaluate proposals
- UNM advertised bids under the following financing options:
  - Medical
    - Self Insured Administrative Services Only (ASO)
  - Pharmacy
    - Traditional and Pass Through

# Employee Benefits Proposal

## Administrative Services Only (ASO)

- Six proposals were received
- Three finalists:
  - Blue Cross Blue Shield of New Mexico (BCBSNM)
    - Uses the same facility provider network as Lovelace
  - Lovelace (incumbent)
  - Presbyterian (incumbent)

# Employee Benefits Proposal

## Pharmacy Benefits Manager (PBM)

- Bid two options at the recommendation of UNM College of Pharmacy
- Nine proposals were received
- Four finalists:
  - Catamaran
    - Traditional proposal
  - Express Scripts (ESI) (incumbent)
    - Traditional and Pass Through proposals
  - Navitus
    - Pass Through proposal
  - Optum Rx
    - Pass Through proposal



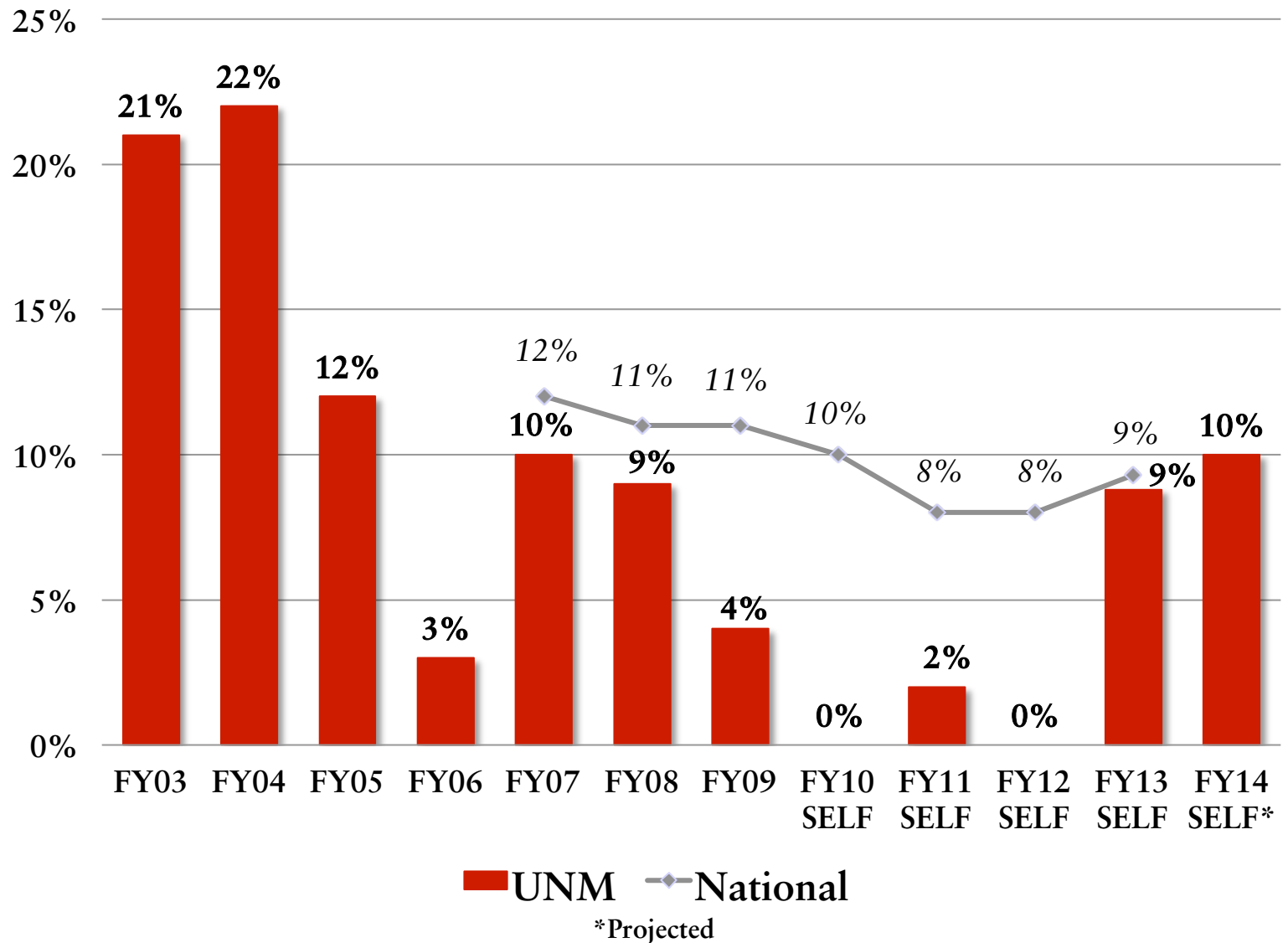
# Employee Benefits Proposal

## Fiscal Year 2014 Recommendations

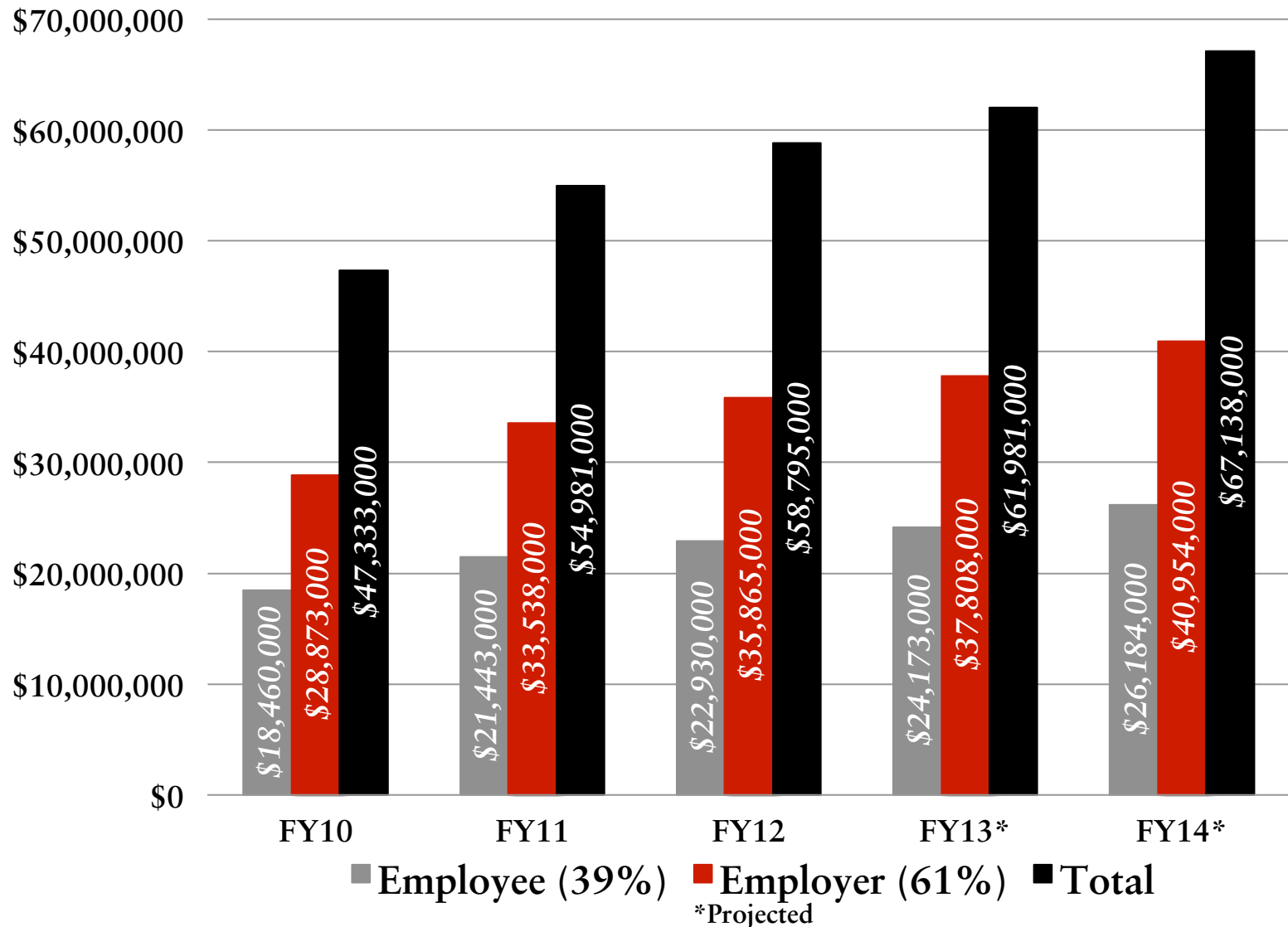
- Medical: Lovelace & Presbyterian

- Pharmacy: Express Scripts Traditional

# Changes in Average Premium



# Changes in Medical and Rx Total Costs



# Medical and Rx Premiums

## Premium Changes Estimations

### ○ Active Employees

TPA	Premium Percentage Increase
Lovelace	4% – 5%
Presbyterian	13% – 14%

# Employee Benefits Proposal

## Medical Proposal Rationale

- No disruption as TPAs will not change
- Although BCBSNM ASO fees were significantly lower than Lovelace, they could not offset Lovelace's lower provider discounts

# Employee Benefits Proposal

## Pharmacy FY14 Projected Costs

- Pharmacy Benefits Manager (PBM)

<b>PBM</b>	<b>Projections</b>	<b>Difference</b>
Express Scripts Traditional	\$11,775,470	--
Catamaran Traditional	\$11,777,586	\$2,116
Optum Rx Pass Through	\$11,862,747	\$87,276
Express Scripts Pass Through	\$12,269,039	\$493,569
Navitus Pass Through	\$12,354,281	\$578,810

# Employee Benefits Proposal

## Pharmacy Proposal Rationale

- ESI financial score was highest
  - Note: It was less than \$2,000 apart from the next highest bidder for total drug spend
  - All finalists bids were lower than FY12 costs
  
- No disruption
  - Third Party Administrator will not change
  - No formulary disruption
  - No network pharmacy disruption
  - Minimal reauthorization for existing Rx

# Employee Benefits Proposal

## Calendar of Events

Date	Event
February 2013	<ul style="list-style-type: none"><li>• Award Contracts (Purchasing)</li><li>• Begin Negotiating Contract Details</li><li>• Receive Draft Summary of Benefits from Vendors<ul style="list-style-type: none"><li>- Plan design changes must be made before Summary of Benefits (SBC) can be finalized</li><li>- Significant retiree health care changes that impact under 65 retirees, who are covered on the active employee plan, are anticipated</li><li>- Health Care Reform requires the SBC be provided by the first day of Open Enrollment</li></ul></li></ul>



# Employee Benefits Proposal

## Calendar of Events

Date	Event
February - June 2013	<ul style="list-style-type: none"><li>• Prepare New Plan Document<ul style="list-style-type: none"><li>- Changes related to under 65 retirees, who are covered on the active employee plan, must be made</li></ul></li><li>• UNM Business Policy changes related to under 65 retirees must be made<ul style="list-style-type: none"><li>- A 30 day campus comment period is required</li></ul></li><li>• Facilitate Vendor Implementation</li></ul>
March 2013	<ul style="list-style-type: none"><li>• Finalize Projected Contribution Rates for UNM and Employees</li><li>• Banner updates/changes must be completed and tested</li><li>• Employee Self Service must be completed and tested</li></ul>

# Employee Benefits Proposal

## Calendar of Events

Date	Event
April 2013	<ul style="list-style-type: none"><li>• Receive Stoploss Rates from Gallagher</li><li>• Communicate with Benefits-Eligible Employees</li><li>• Begin Open Enrollment<ul style="list-style-type: none"><li>- Occurs before faculty leave campus for summer</li></ul></li></ul>
May 2013	<ul style="list-style-type: none"><li>• Audit and Finalize Open Enrollment</li></ul>
June 2013	<ul style="list-style-type: none"><li>• Finalize Vendor Contracts</li></ul>
July - September 2013	<ul style="list-style-type: none"><li>• Complete Post Implementation Audit</li></ul>

# Questions