

City of Independence

MEMORANDUM

DATE: July 26, 2022

TO: Zachary Walker, City Manager

FROM: Michael Veit, Stay Well Committee Chairman

SUBJECT: Stay Well Committee July 25, 2022



The Stay Well Committee made the following three recommendations:

- 1) The Stay Well Committee recommends cancelling the current Pharmacy contract with Cigna and entering into a contract with CVS Caremark for the 2023 plan year.
- 2) The Stay Well Committee recommends changing the Deductible and Out of Pocket Maximum (OOP) for OAP 1 to:

Deductible - \$2,000/\$5,000
OOP - \$5,000/\$10,000

- No Changes to OAP 2
- Change Local Plus
 - o Deductible - \$1,500/\$3,000
 - o OOP - \$3,000/\$6,000
- Adopt a 4 Plan option
 - o Deductible - \$3,500/\$7,000
 - o OOP - \$7,000/\$14,000
- 3) The Stay Well Committee recommends a 5% premium increase for the active members on OAP 1 and a 40% premium increase for the pre-65 retirees on OAP 1 while maintaining the current 80/20 premium split. With no changes to OAP 2 or Local Plus Premium Splits currently.

Background Information:

I have attached an Illustrative Scenario of this information that has been presented by Cbiz for the plan design changes and as well as the information that was presented to the StayWell Committee for the Pharmacy Carve out. In this Illustrative Scenario it also shows the premiums for the 4th plan being introduced as well.

- 1) With regards to the Pharmacy Carve out, Cbiz approached Cigna last year due to potential savings being left on the table. At that time Stay Well saw a savings of \$650,000. When looking at the 2023 plan year it was determined that it might be in the best interest to carve out the pharmacy from Cigna as there could be potentially more savings available. Cbiz was able to perform a market check that showed a conservative savings of **\$700,000 +** if we entered into an agreement with CVS Caremark. With our current pharmacy contract with Cigna we estimate to see \$800,000 in rebates where

with CVS Caremark we could potentially see around **\$2,000,000**. The Committee looked at the information that was presented and the disruption analysis that was performed and recommends entering into this agreement with CVS Caremark.

- 2) The Stay Well Committee recommends the above listed changes to deductibles and OOP Maximums due to the increasing cost of each plan. When the committee broke down each individual plan it was determined the OAP 1 was our biggest spend and that we are losing money on this plan while OAP 2 and Local Plus break even or stay ahead. With these adjustments in Deductibles and OOP Maximums this will put more of the financial burden on the plan member to pay for the plan if they so choose to keep this option. It was determined that we make no changes to OAP 2 as we are attempting to move as many members as possible to these consumer driven plans and by not making any changes this will incentivize plan movement. The Committee had to make a small adjustment to Local Plus due to Federal Regulations that set the limits on a HDHP. The plan was designed last year to meet the minimum qualifications of a HDHP, and the Federal Government has adjusted those numbers, so to qualify, we must stay in line.
- 3) The Stay Well Committee has recommended a premium adjustment for OAP 1 with no changes to OAP 2 or Local Plus. When the committee looked at the spend of the plan with medical claims it was determined that the biggest spend came from OAP 1. Furthermore, when we broke OAP 1 down to Active members and Pre-65 retirees it was determined that the biggest spend came from our Pre-65 members. This committee in working with the Lagers Retirees determined that a 40% premium increase for the Pre-65 Retirees would cover the cost of the amount of medical claims being spent. The Committee determined that a 5% increase for active members on OAP 1 would also aid in helping the active member group cover the medical cost of their plan.

These recommended changes having savings to the renewal cost for 2023 in the following ways: By adjusting the funding with premium increases it changes the renewal cost that was originally projected of \$23,176,228 to \$21,701,565. The plan design changes recommended with Deductibles and OOP Maximums and the addition of a new plan option is a savings of \$1,474,663 and the recommendation of signing a new contract with CVS Caremark will see a savings of \$700,000+.

If you have any additional questions on the recommendations from the Stay Well Committee, please contact me.

Thank you,

Michael Veit

Michael Veit, Chairman
Stay Well Committee – 816-547-3783