

2018-2019 BUDGET QUESTION
Response to Request for Information

DEPARTMENT: Human Resources

REQUEST NO.: 14

REQUESTED BY: Alter

DATE REQUESTED: 04/26/18

DATE POSTED: 5/17/18

REQUEST: Please provide the factors behind how the City is forecasting zero increase in employee health insurance for FY 2019 as opposed to a 4% increase in FY 2018.

RESPONSE:

Each year as part of developing the budget, the Human Resources Department (HRD) works with our consulting and actuarial firm to project expenditures. The current contract is with Segal Consulting and began in October of 2017. The current projections are based on medical and pharmacy claims from March 2017 to February 2018. Based on the prior twelve months claims experience Segal is projecting the employee rate increase for 2019 at 0%.

Factors from 2017 affecting the expenditure projections:

- 12.6% decrease in catastrophic case spend (\$29.6M in 2016 vs. \$25.9M in 2017).
- 12.8% decrease in paid per member per month (PMPM) cost for outpatient surgeries.
- 23.8% decrease in paid PMPM cost for cancer claims.
- 1.8% decrease in emergency room visits per 1,000 members.
- Continued shift from HMO to the Consumer Driven Health Plan (CDHP). Implemented in 2015, enrollment in the CDHP continues to increase. Enrollment in December 2016 was 866 but increased to 1,248 by December 2017. The CDHP represents 10% of total employee enrollment, however accounts for only 3% of the total medical plan spend.