Segal Consulting

UFCW Unions and Participating Employers Health and Welfare Fund

Summary of Findings

Vendor Analysis

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THE SEGAL GROUP
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- CareFirst (Medical PPO)
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- Group Vision Services (Vision)
- Voya, Reliaster Life (Life and AD&D)
- MetLife (Life and AD&D)
- Value Options (Managed Mental Health Program)
- Conifer Health Solutions (Utilization Review, Case Management, Disease Management), formerly InforMed

Introduction

- Below is a summary of information regarding the current vendors providing services to the active members of UFCW Unions and Participating Employers Health and Welfare Fund (the Fund):

Benefit Type	Carrier	Plans
Medical	CareFirst PPO	JS, JSS-2, Y, Y20
	Kaiser HMO	JS, JSS-2, Y, Y20
	Anthem ASO	Richmond Tidewater
	Anthem JAA	RNK 1, RNK 2, RNK 3
Pharmacy	Catamaran Rx	JS, JSS-2, Y, Y20
	Kroger Pharmacy Plans (KPP)	Richmond Tidewater
Dental	Group Dental Services (GDS)	JS, JSS-2, Y, Y20, RNK 1, RNK 2, RNK 3
	Aetna PPO	Richmond Tidewater
Vision	Group Vision Services (GVS)	All Plans
Life and AD&D	VOYA	JS, JSS-2, Y, Y20, RNK 1, RNK 2, RNK 3
	MetLife	Richmond Tidewater
Medical Management	Value Options	JS, JSS-2, Y, Y20, RNK 1, RNK 2, RNK 3
	Conifer	JS, JSS-2, Y, Y20, RNK 1, RNK 2, RNK 3

Introduction *continued*

Participation as of Sept. 2014	Employees
CareFirst (in area)	2,028
CareFirst (out-of-area)	478
CareFirst Total	2,506
Kaiser	52
Anthem ASO	1,016
Anthem JAA	2,400
Total Covered	**5,974**

CareFirst (Medical PPO)
Shoppers

- Shoppers plan members have been eligible for CareFirst PPO services since 2011.
- A member residing in the D.C. area is considered to be in area for CareFirst. Out-of-area members are enrolled in the Flexlink program. The Flexlink program provides access to the BlueCard network.
- The fees for the programs are:

As of Sept. 2014	In CareFirst Area	Flexlink	Total
Average Number of Participants	2,028	478	**2,506**
Fees (PEPM)	$4.00	$20.20	**N/A**
Annual Fees	**$97,344**	**$115,867**	**$213,211**

Kaiser (HMO)
Shoppers

- All active members of the Fund in the Shoppers Plans have the option to enroll in a Medical HMO with Kaiser Permanente (Kaiser).

Participation as of Oct. 2014	JSS-2	Y2 Full Time	Y2 Part Family	Y2 Part Ind.	Y20 Full Time	Y20 Part Time	Total
Enrolled	6	10	2	31	1	2	52
Current Premium Rates	$1,097.82	$758.78	$915.84	$203.75	$457.40	$174.24	n/a
Total Annual Premium	**$79,043**	**$91,053**	**$21,980**	**$75,795**	**$5,489**	**$4,206**	**$277,566**

Anthem BCBS (Medical)
Richmond Tidewater

- Richmond Tidewater utilizes Anthem for medical network access and claims adjudication.
- July 2013 through June 2014, the claims cost is running at $373.78 PMPM with high cost claimants (over $75,000) accounting for 42.6% of costs.

Enrollment as of Sept. 2014	
Employees	1,016
Members	1,542
Fees (PEPM)	$39.37*
Annual Fees	**$40,000**

** 2015-2016 fee will increase to $40.50.*

Anthem BCBS (Medical)
Richmond Tidewater *continued*

Anthem's Recommendations

- Add Nutritional counseling for eating disorders due to the requirements of mental health parity.
  - Estimated Cost: $0.38 PMPM
  - **Segal Suggestion**: Segal agrees that nutritional counseling for eating disorders should be added due to the requirements of mental health parity. Further, Segal believes Anthem's cost projection is overstated and we are in the process of validating the projection.
- Add Residential Treatment Centers due to the requirements of mental health parity.
  - Estimated Cost: $1.18 PMPM
  - **Segal Suggestion**: Segal agrees that mental health parity requires that residential treatment centers be covered. We will work with Anthem to determine their medical necessity protocols.
- Oncology Management
  - **Segal Suggestion**: Anthem is changing how Oncology providers are paid and how the associated drugs are purchased. Anthem has projected a savings of $0.65 PMPM. The program appears to be favorable to the Fund and will roll out in Virginia in 2015.
- Quick Care Options
  - **Segal Suggestion**: This program helps members choose options in lieu of the Emergency Room and appears to be in development. Segal believes it is premature to recommend adding this program at this time.
- Other Programs Available: Integrated Health Model; High Tech Imaging Management ($0.87 per contract/month); Sleep management ($0.12 per contract/month); Reference Based Benefits; Castlight

Anthem BCBS (Medical)
Kroger Roanoke

- The Kroger Roanoke (RNK) plans have been in a Jointly Administered Arrangement (JAA) with Anthem since 2006.

Enrollment as of Sept. 2014	
Participants	2,400
Members	3,300
Fees (PEPM)	$20.09
Annual Fees	**$578,592**

Medical PPO and HMO
Considerations and Competitors

- Aetna
- Cigna
- UnitedHealthcare (UHC)
- General comments:
  - In our experience, CIGNA and UHC have discounts and networks generally in the range of CareFirst, although typically at higher administrative fees.
  - The fees charged by CareFirst are attractive compared to those charged by other BlueCross BlueShield plans for similarly situated clients.

Catamaran (Pharmacy Benefit Manager)

- The Fund is in a traditional contract arrangement with a fee of $0.80 per paid prescription claim. Employees in the Shoppers' Plans are eligible for Catamaran PBM services.
- A proposed pricing renewal for 2015 is included.
- Services include:
  - Bi-weekly claims report;
  - Quarterly drug usage reports;
  - I.D. cards; educational material;
  - DUR and retrospective DUR;
  - Formulary management; and
  - Claims adjudication, etc.

Catamaran (Pharmacy Benefit Manager) *continued*

- Current pricing from 2006 is depicted below
  - The pricing terms shown below are inflated because the terms were executed before the 2009 AWP rollback.

		Pricing	Dispensing Fee	Rebates
Retail	Brand	Lower of U&C or AWP-15.5% to 16%	$2.00	$1.74
	Generic	Lower of U&C or MAC AWP- 58%	$2.00	$1.74
Mail	Brand	AWP-21%	$0.00	$1.74
	Generic	MAC	$1.75	$1.74
Specialty		AWP-17%	$5.00	N/A
Administrative Fee		$0.80 per Rx (Retail and Mail Order)		

Catamaran (Pharmacy Benefit Manager) *continued*

- Below indicated pricing for the proposed traditional renewal for 2015

		Pricing	Dispensing Fee	Rebates
Retail	Brand	AWP-16%	$1.20	$16.00/BrandRx
	Generic	Year 1: AWP-78.0% Year 2: AWP-78.5% Year 3: AWP-79.0%	$0.00	$0.00
90-Day Retail	Brand	AWP-18.5%	$0.00	$16.00/BrandRx
	Generic	Year 1: AWP-78.0% Year 2: AWP-78.5% Year 3: AWP-79.0%	$0.00	$0.00
Mail	Brand	AWP-22.5%	$0.00	$43.00/BrandRx
	Generic	Year 1: AWP-80.0% Year 2: AWP-80.5% Year 3: AWP-81.0%	$0.00	$0.00
Specialty		Pricing List by Drug	$2.00	$16.00/BrandRx
Administrative Fee		$0.00		

- Catamaran also offered a transparent proposal with similar pricing.
- Please note CVS pharmacies may no longer be in network with this proposed renewal. We have requested a renewal proposal that includes CVS.

Catamaran
Considerations and Competitors

- Recommendations by Catamaran to be included in the renewal:
  - Updated Prior Authorization Rules and Quantity Limits
    - **Segal Suggestion**: Catamaran indicated that the Fund currently participates in these programs. The rules may be outdated. It is generally advisable to update the PA and QL rules on an automatic basis if participating in the PBM's standard PA and/or QL program. The disruption should be evaluated.
  - Step Therapy programs
    - **Segal Suggestion**: Look into this matter further, it appears there are savings with potentially high participant disruption.
  - Retro DUR
    - Captures drug conflicts to prevent complications.
    - **Segal Suggestion**: Segal recommends, as RDUR is standard, with PBM programs.
  - Medical Therapy Management (MTM)
    - Interventions of high risk/high cost members to prevent overuse and misuse
    - **Segal Suggestion**: Needs to be reviewed before adoption.
  - Medication Adherence program
    - **Segal Suggestion**: Generally, these programs are beneficial and carry low member disruption. However, this program needs to be reviewed further before adoption.

Catamaran
Considerations and Competitors

Segal Suggestions:

- Better pricing is available in the marketplace
- Customized networks to exclude certain pharmacies are becoming more prevalent
- Before adoption of any new programs Segal suggests the Fund weighs the disruption compared to the savings.
  - Analyze the drivers of the low generic dispensing rate.

Kroger Prescription Plans (KPP)

- Richmond Tidewater and Kroger Roanoke Plans currently administer prescription drug programs through KPP.

Group Dental Services (GDS)
Fully Insured Dental

- GDS provides dental services on a fully-insured, HMO basis to RNK and Shoppers.
- GDS is not utilized by the Richmond Tidewater Plan.
- There are currently 7,827 members utilizing GDS.
- The following is a summary of current pricing (no adaptations have been made for group changes):

Participation as of Dec 31, 2013	Plan JS	Plan JSS2 (non Shoppers)	Plan JSS2	Plan K2	Plan K20	Plan Y2 (non Shoppers)	Plan Y2	Plan Y20	Plan H, I, and DS	TR and Z
Individual Premium Rate	$31.53	$31.53	$34.06	$25.25	$18.38	$25.25	$27.71	$18.38	$30.01	$26.51
Family Premium Rate	$47.69	$47.69	$52.36	$51.96	$37.82	$51.96	$57.03	$37.82		
Retirees			$31.53						$30.01	
Annual Expense 2013			**$2,430,050**							

Group Dental Services *continued*

- GDS proposed to renew its rates at present through December 31, 2015.
- Aetna recently acquired GDS via its purchase of Coventry.
- Aetna has provided network disruption for its DPPO and DMO products.
  - Overall 60% of all providers currently used by the members are in Aetna's DPPO network.
  - Approximately 84% of the current GDS providers that members use are in the Aetna DPPO network.
  - Approximately 26% of the non-GDS providers that members use are in the DPPO network.
  - With the criteria of two general dentists within 10 miles, 85.5% of the GDS members would have access to an Aetna DPPO dentist.
  - 34% of the currently utilized dentists are in Aetna's DHMO, and 55.8% would have access utilizing the two dentists in 10 miles criteria.

Group Dental Services *continued*

- Aetna estimates that its DPPO plan, which provides a broader network, will cost $370,000 to $1.2 million more than the GDS plan, depending on how the plan design is structured.
- For its DMO plan, there would be significant disruption, and no out-of-network benefits available for members residing outside of the service plan. Today, GDS works to accommodate members who reside outside the service area.
- Benefit design changes would need to be made under both the DPPO plans and the DMO plans.
  - Cost sharing for fillings would go from 100% to 80%.
  - Cost sharing for crowns would go from 80% to 50%.
  - Cost sharing for ortho would go to 60%.
- Balance billing for members that go to out-of-network dentists will likely apply. GDS made accommodations for members who do not reside in its network, including no balance billing.

Aetna (Dental)

- Aetna has been utilized by the Richmond Tidewater plan since 2006.
- Aetna offers both a PPO and DMO network plan option. Currently, no members are enrolled in or participating in the DMO plan.
- The PPO is self-funded and the current 2014 fees are $4.15 PEPM.
  - The January 1, 2015 renewal will decrease administrative fees to $3.85 PEPM.

As of April 30, 2014	
Employees	1,064
Members	1,642
Fees (PEPM)	$4.15
Annual Total	**$52,987.20**

Aetna

- Dental DMO 2014 current rates paid by the employee are depicted below:
- There is a $2,000 annual maximum benefit paid.
- Orthodontic is not covered under the standard plan.
  - Premier plan lifetime max $1,500 and 50% coverage

Dental DMO Plan	Rate Effective PEPM
Single Subscriber	$28.52
Subscriber + Spouse	$57.06
Subscriber+ Child(ren)	$62.85
Subscriber + Family	$91.26

- The 2015 DMO renewal has not been provided, pending the outcome of the solution for the GDS.

Dental
Considerations and Competitors

General Comments

- Other carriers could offer DHMO (including Aetna, CIGNA, Dominion Dental), but generally have smaller networks.
- Other carriers could offer a DPPO (including UCCI, Delta Dental, Aetna, CIGNA, MetLife, and CareFirst). However, the DPPO arrangement’s better access would likely attribute to higher costs.
- Aetna has acquired GDS
  – **Segal Suggestion**: We are currently working with Aetna to determine disruption and cost implications for this broader network.

Competitors:

- Delta Dental
- United Concordia (UCCI)
- MetLife
- Guardian

Group Vision Services (GVS; Vision)

- All plans have consolidated to GVS. GVS is presently calculating renewal rates.

As of Sept. 2014	Richmond Tidewater	RNK	Shoppers
Members	Emp: 599 Emp + Spouse: 152 Emp + Children: 81 Emp + Family: 77	2,325 employees	2,868 employees
Rate (PMPM)	Emp: $2.79 Emp + Spouse: $5.59 Emp + Children: $5.87 Emp + Family: $9.50	$4.46	$4.50
Monthly Totals	Emp: $1,671.21 Emp + Spouse: $849.68 Emp + Children: $475.47 Emp + Family: $731.50 Total: $3,727.86	$10,369.50	$12,906
Yearly	$44,734	$124,434	$154,872
		Estimated Total	$324,040

- Richmond Tidewater utilizes a tiered plan depicted above.
- The Shoppers Plan has a slightly richer benefit than that of RNK with contact lenses included.

Vision
Considerations and Competitors

- Competitors
  - Davis Vision
  - Advantica
  - Avesis
  - Vision Service Plan (VSP); Termed 2010

VOYA (Life and AD&D)

- All Active plans except the Richmond Tidewater Plan are eligible for Life and AD&D coverage through Voya Financial (Voya), formerly known as ING.

As of October 31, 2013	Current	Renewal July 1, 2014 (One Year)
Number of Lives	4,771	4,771
Life Insurance Premium	$0.175/$1,000	$0.210/$1,000
AD&D Premium	$0.018/$1,000	$0.018/$1,000
Annual Expense*	**$158,484**	**$188,306**

**Based on the October 2013 volumes from the Voya Renewal Report*

- 2 and 3 year rate guarantees were made available with the July 1, 2014 renewal
  - 2 Year: Life $0.214/$1,000 AD&D $0.18/$1,000
  - 3 Year: Life $0.222/$1,000 AD&D $0.18/$1,000

MetLife (Life and AD&D)

- Participants in the Richmond Tidewater plan are eligible for Life and AD&D through MetLife.

	Current
Life Insurance Premium	$0.158/$1,000
AD&D Premium	$0.030/$1,000

Life and AD&D

Considerations and Competitors

- There are many life insurance carriers in the market. Competitors include:
  - Aetna
  - Allstate
  - CIGNA
  - Dearborn
  - Hartford
  - MetLife
  - Minnesota Life
  - Prudential
  - Standard
  - Reliance Standard
  - Trustmark
  - Ullico
- Richmond Tidewater uses MetLife. Combining groups with one carrier could provide additional savings.

Value Options (Managed Mental Health Program)

- ValueOptions has provided an integrated Mental Health/Substance Abuse (MHSA) and Employee Assistance Program (EAP) for the Fund since 1999.
- Behavioral service benefits are available to Kroger Roanoke and Shoppers participants in the Fund.
- EAP benefits are made available to RNK 1 and Y plan participants.

Estimations as of Oct. 2014	All Plans - MHSA	RNK1 and Y - EAP
Employees	5,100	2,300
Fees (PEPM)	$2.51	$0.67*
Annual Expense	$153,612	$18,492
	Total Annual Expenses	$172,104

** Roughly 7 employees are still in the 'T' plan with a rate of $0.88 PEPM*

Value Options

Value Options Recommendations:

- Increasing outpatient utilization has been observed since the implementation of mental health parity.
  - **Suggestion**: Segal will work with Value Options to confirm that medical necessity rules are being applied in the outpatient and residential treatment setting.
- Possible duplicate EAP coverage
  - **Suggestion**: It is important to note the Kroger Roanoke Plans may have EAP coverage through Kroger Corporate.

Conifer (UR, CM, DM)

- Conifer Health Solutions (Conifer), formerly InforMed, provides the following services since 2008 without rate changes:
  - Data Warehouse of medical and prescription data
  - Utilization Review/Certification Review (UR) and medical necessity review
  - Case Management (CM): Assess plans, implements, coordinates, monitors, and evaluates options and services to meet a participant's health needs.
  - Disease Management (DM): Manages individuals with one or more chronic diseases or debilitating conditions.
- Conifer provides these services and is available to all members of the Fund except for those enrolled in an HMO plan and Richmond Tidewater members.

As of Sept. 2014	Fees	Medical Management Review
Participants	4,500	__
Members	7,548	__
Fees (PEPM)	$1.13	$125/hr Medical Mgt. Review
Annual Fees	**$61,020**	

Medical Management
Considerations and Competitors

- Competitors
  - CareFirst Medical Management (consolidate)
  - CareFirst Patient-Centered Medical Home
  - Health Care Strategies
  - Health Management Concepts
  - Live Healthier
  - Healthways
  - Health Dialog
  - Carewise
- There are many more competitors in this space not listed above.