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FEATURED

Part of Contract Deal With Unions

City Well on Way to \$3.4B Health Savings, Labor Commissioner Says

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JULISSA

FERRERAS:
Cites need for
more details.



NOT ALWAYS EMPLOYEE-FRIENDLY: City Councilman Corey Johnson, who is HIV positive, detailed the problems he initially had in getting monthly HIV prescription medication and decried the fact that it is far more expensive if purchased through a pharmacy rather than by mail order. Told that this was a standard, cost-effective way of obtaining prescription drugs, he nonetheless said it left those affected at the mercy of post-office timeliness.

The Chief-Leader/Ellen Moynihan

When the de Blasio administration reached a landmark contract agreement with the United Federation of Teachers last May, it included \$3.4 billion in health-insurance savings it expected to realize through 2018 to help offset the cost of pacts with its entire workforce.

On Track for First Year

On April 1, responding to concerns of City Council Members about the relatively few details released about the savings, Labor Commissioner Robert W. Linn told the Council that the city was on track to meet the \$400-million reduction in health-care spending projected for this year and detailed elements of the city's strategy.

“While the goal of this agreement is to address the ever-increasing costs of health-care, details of the agreement are lacking,” Council Speaker Melissa Mark-Viverito said early in the joint hearing of the Civil Service and Labor and Finance committees.

She said health-care spending for employees, retirees and beneficiaries had grown by an average of 8.3 percent a year in the decade since 2004. The city expects to allocate \$5.4 billion this year for health care, more than is budgeted for the NYPD.

This year’s savings arose from strategies that included auditing member rolls to ensure that only eligible employees are covered by the city’s health plan, “aggressively” seeking lower rates from insurers and vendors, changing the way employees get coverage and seeking preventive health-care savings.

Mr. Linn said discussions with labor unions resembled those in collective bargaining and said it would be “counterproductive” to detail them prematurely.

“I know there’s been tremendous interest...in how we were going to find these savings, and many who said, ‘Oh, we’ll never find the savings,’ and many who thought that this was smoke and mirrors,” he said. “And I have to say, I think we’ve demonstrated they were absolutely wrong.”

Though health-care costs continue to rise, city officials said lower-than-expected increases would contribute to the saving of \$700 million in the fiscal year beginning in July, \$1 billion the following year, and \$1.3 billion in 2018 and every year thereafter. Some of the savings expected to result from measures that have already been implemented.

Took ‘Stabilization’ Money

Under an agreement with the Municipal Labor Committee, an umbrella group for the city unions, the de Blasio administration was able to draw \$1 billion from the joint Health Insurance Stabilization Fund and is now contributing less into it. In 1984, the city began making payments into the fund representing the differential in HIP and GHI rates. The money allowed employees to choose between the two plans without paying more, but HIP’s costs, against expectations, rose substantially more than GHI’s.



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An arbitrator will step in to order adjustments if the savings aren't reached. But, Mr. Linn said, any excess savings beyond the target of up to \$365 million would return to workers as a bonus.

He added that most of the goals have been achieved by collaborating with the unions. "This is a non-traditional approach to bargaining," he said. "We have a mutual interest in finding ways to save dollars and to make our workers healthier."

For example, more than a third of this year's cost reductions came from an agreement with the MLC allowing the administration to redirect money for mental-health benefits that an arbitrator ruled last year was owed to the stabilization fund. "So, we're going to get \$153 million out of that issue that the last administration sought to get, was unable to achieve, and we achieved through collective bargaining," Mr. Linn said.

Some of those savings arose from actions by former Mayor Michael Bloomberg. His administration began an audit to make sure all dependents receiving benefits were actually eligible for them, and Mr. Linn said the results allowed the city to change 14,000 family plans to individual coverage, saving \$108 million. Other cost-trimming resulted from a change in the funding structure with GHI, which covers three-fourths of city workers, negotiating lower administrative fees with Empire Blue Cross and lower Senior Care premiums than expected.

Wellness Plans May Help

The Office of Labor Relations is also looking at wellness programs and preventive care for diseases such as diabetes, obesity and smoking-related illnesses to avoid higher medical costs in the future. The city is also emphasizing primary-care doctors over emergency rooms and encouraging some employees to opt out of city-funded coverage if they can be covered by similar or better plans held by family members.

Corey Johnson, a freshman Councilman, said when he first took office, he was hit with an unexpected \$2,800 fee for HIV medication from a pharmacist and had to instead sign up for a mail-order plan which he said could be less convenient for city workers. He asked if situations like his drove any of the cost reductions and Mr. Linn said he hadn't heard of similar issues and that the de Blasio administration's philosophy wasn't to deny employees coverage, but to improve it. But he also noted that the provision of prescription drugs by mail order rather than through pharmacies was one of the nation's biggest cost-saving measures.

Questions City's Math

Maria Doulis, a director at the business-funded Citizens Budget Commission, said the city seemed to take credit for some savings traceable to lower-than-anticipated premium increases and external trends. "As a result, savings that would have normally been reserved for general budget needs, such as funding libraries or maintaining public parks, and are attributable to a national slowdown in health-care costs, are now being credited to the health-savings agreement," she said.

Finance Committee Chair Julissa Ferreras said her knowledge to that point was limited to the de Blasio administration's two-page agreement with the MLC and a three-page OLR update last December. "We don't want to have to bring you into a public hearing to get details when we see the savings moving forward," she told Mr. Linn.

He said the administration was already on track to reach \$624 million of the savings expected for the next fiscal year, but couldn't yet detail more of the "fertile ground" being eyed. "But understand the process is one where we talk with the unions to identify that \$76 million, and then we will announce when we have them that, yes indeed, we will have achieved the \$700 million," he said.

