

City of Appleton

Personnel Committee Meeting – October 25, 2015

Marketplace Analysis

- Conducted a market analysis early in 2015 with full RFP to self-funded administrators including national carriers (UHC, Anthem), carrier-owned (UMR) and independent administrators (Cypress). Decision to remain with UHC with a multiple-year fee guarantee which the City can leave with proper notice.
- The specific stop loss protection is marketed annually.
- The medical delivery marketplace is in a state of change:
 - Providers (ThedaCare, Bellin, Ministry/Affinity) are aligning with smaller networks to accept risk for their services as we move into the next generation of compensation for care
 - Insurance carriers and administrators are contracting differently and offering new approaches to reimbursement
 - With alignment changes, employers and employees will be presented with new opportunities to access care and how providers are compensated
 - ACOs (AboutHealth, IHN), bundled services (ortho, neuro, cancer), outcome-based compensation models where employers will be asked to share in risk
- The bottom line – AFG is actively involved with all the local provider networks, have our finger on the pulse and are prepared to keep the City of Appleton informed for future decision making.

Affordable Care Act (ACA)

- Mandatory coverage items continue to be added as a result of the Act; smoking-cessation items covered at no out-of-pocket to the members, autism screening
- Cadillac tax - the tax is a major component of funding the ACA
 - In 2018 employers must pay a 40% tax for any dollar value over what the IRS has deemed a Cadillac plan (\$10,200 single, \$27,500 family).
 - The City has been migrating plan design and monitoring costs since the Act was passed and is currently in a positive position to avoid the tax. However, there are new definitions and clarifications regarding what must be included in the calculation which could change the City's preparedness (pre-tax flexible spending, pre-tax HSA employee contributions, City contributions into an individual's HSA, etc.).
 - There are bills in Congress to repeal this tax with bipartisan support; since this is a MAJOR funding source for the Act, this will no doubt spark much debate.



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- 1095 reporting
 - Major administrative undertaking with some cost implications
 - Every employee who is eligible for health insurance based on the definition of the ACA/IRS must be offered coverage by employer to avoid taxes/penalties. Dependents must also then be offered coverage; spouses do not.
 - Each employee who was eligible will receive a 1095 at their home by January 31, 2016 to report they were offered coverage whether or not it was affordable as defined by the IRS and who was covered on the plan by month of the year
 - The City must also transmit the same form electronically to the IRS providing the same information.
 - There is a great deal of complexity regarding this process with tracking of employees, codes to use on the form based on each employees' specific situation, and oftentimes with very little payroll system support leading to manual intervention and, finally, connecting with the IRS to transmit.

Near-Site Clinic

- The City has been exploring the feasibility of developing a near-site clinic in conjunction with the Appleton Area School District and potentially Outagamie County.
- As healthcare for illness and preventive wellness programs continue to change and evolve, employers are implementing convenient low cost services onsite or share in a near-site setting with multiple locations or employer partners.
- The services at clinics can be wide-ranging. In our analysis, we have analyzed data with a number of prospective vendors that suggest a clinic could provide a broad range of services from basic acute care, lab, physical therapy and occupational rehabilitation, lifestyle coaching/counseling, etc.
- The question is often raised, "is this duplicative cost or services?" With the increasing costs of services in the fee-for-service environment, the changes by providers, due in part to the impact of high deductible plans and the ACA, employers are developing clinics with a positive return on investment from a financial perspective and improving productivity and time away from work and improving access to primary care, lifestyle and chronic condition management and rehabilitative services.
- Over the past year, a myriad of planning discussions have occurred. A list of potential vendors who provide these services was evaluated, an RFP was conducted, and five finalists were selected for presentations. We have now narrowed the vendors to two and plan to have presentations of final financial proposals, visit one of their current clinic settings, and determine a finalist.



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