

The Changing Health Insurance Market: Implications for Public Policy and for State Government Purchasers

Session 3: What Does It Mean To Be “Insured”?

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Focus

- What happened at US Airways
- The changing nature of what it means to be insured and how the burden is increasingly shifting to employees
- What are the expectations of employees and the scope of what is being covered under group medical plans

What Happened At US Airways

- Through acquisitions and mergers, 35,000 employees could enroll in any one of 18 separate plans – HMOs, PPOs, Managed Care, POS plans
- Medical plan costs were out of control
- The maximum employee contribution was contractually capped at \$35 per month
- In the Summer 2002, agreements were reached to eliminate all 18 plans and go to one national BCBS plan
- Significant changes were made to employee contributions, OOP maximums, deductibles, Rx drugs
- Many other restrictions and limitations were put into place by the Company

Cost Factors Are Important Considerations In Negotiations With Labor

- One claim can break the bank
- Choosing between self-insured vs. insured
- The role of the TPA
- Stop-loss coverage

Negotiations With The Unions At US Airways Involved The Following

- Amount of employee premiums – now capped at 26% of the total contribution rate, but can be increased by 15% per year
- Deductibles
- Out-of-pocket maximums
- Rx co-pays
- Annual increases in all of the above

Ways can be found to manage medical plans and shift the burden of ever increasing costs with minimal pain

- **The Retiree Medical Problem** – with 13,000 retirees, the Company could no longer provide the level of coverage employees had previously enjoyed; creative solutions emerged
- **Sick Credits** – Killing two birds with one stone; reduce sick leave usage and provide an incentive for retiree medical coverage
- **Sick Leave Provisions** – Renegotiated contractual sick leave contract provisions

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- **Disease Management** – a voluntary program for employees
- **Medstat** – A comprehensive analysis of how all medical dollars are spent, including trends of employees, doctors and hospitals
- **Budco** – Eliminating fraud in the workplace
- **FCE/Screenings** – Reducing workers compensation claims, improving return-to-work programs and eliminating abuse and fraud in the workplace

Other Medical-Related Problems Were Also Addressed

- **Established an Integrated Medical Management Service (IMMS)**
 - Most absences are medically related
 - On-staff physician and nurse case managers
 - Responsible for tracking sick leave, FMLA, disability and workers compensation
 - Used the Internet to discover fraud

Other Medical-Related Problems Were Also Addressed

- Tightened approval processes and established procedures for reviewing high-risk procedures (e.g. gastric bypass capped at \$15,000)
- Initial resistance from union groups, but after they learned we were not out to “get them,” level of cooperation increased
- Has to be viewed in the context of “squeezing the balloon”

The Results:

- Medical costs for active employees plummeted by more than 20%
- Thousands of ineligible dependents no longer covered
- FMLA time off dropped by more than 30%
- Sick leave usage dropped between 5% and 50%
- Medical coverage still among the best offered to employees of any company
- Now looking at HSAs and other consumer-directed programs
- The next wave: biotech drugs are prohibitively expensive