Halfway through a four-year effort, New York City and its 144 municipal unions are on track to save $3.4 billion in health care costs so that the city can continue to offer free health care coverage to 1.25 million employees, retirees and dependents.

A “What’s Working” article in the September 2015 *Benefits Magazine* described how Mayor Bill de Blasio’s administration and its unions represented by the Municipal Labor Committee (MLC) were tackling the decades-old problem of trying to reduce health care costs while keeping coverage free to employees, retirees and dependents. As part of wage settlement agreements, labor and management committed to working together to generate at least $3.4 billion in cumulative health care cost savings—at least $400 million for fiscal year 2015, $700 million for fiscal year 2016, $1 billion for fiscal year 2017 and $1.3 billion for fiscal year 2018.

A unique and innovative gain-sharing agreement primed the parties to become partners instead of adversaries in managing health care costs. If efforts result in savings greater than the $3.4 billion goal, the next $365 million will be used to give all 350,000 city workers a one-time bonus.

Whereas in January 2014 every union contract with New York City municipal workers had expired, today contracts are in place for 99% of the workforce and great strides have been made in achieving the health care savings goal.

**Getting Started**

As discussed in last year’s article, in the first two fiscal years of the agreement, the parties relied on some traditional approaches other employers have used for decades that had not previously been possible to implement in NYC:

- The funding structure of the medical plan was changed from a fully insured program to a minimum premium plan arrangement.
- Rates were renegotiated with all the insurers and vendors, resulting in substantial savings.
- A dependent eligibility verification audit identified numerous individuals who could be taken off the city’s health coverage, resulting in over $100 million in annual savings.
- The city’s very limited hospital preauthorization and case management program was enhanced to provide a more timely and comprehensive review of hospital admissions and to provide nurse case managers for all patients with complex acute and chronic conditions. In addition, a readmission management program was implemented.
- Cost-management provisions such as preauthorization and drug quantity management programs were also added to the prescription drug plan, along with the addition of some chronic disease management plans.

At the end of the first two fiscal years of the undertaking, the first $1.1 billion in savings required by the agreement were projected. But the city and the MLC needed to consider robust changes to plan design to reach $3.4 billion in savings and avoid asking employees to share in the cost of premiums.

**A Data-Driven, Value-Based Design Approach**

One of the most significant deficiencies in the city’s ability to contain health care costs was the failure to obtain, merge and analyze data from multiple health plans. For the first time, after significant negotiations, the city and the MLC were able to review aggregated claims data and gained a clear picture of how health care dollars were being spent. As was expected, spending on the emergency room was higher than benchmarks. In addition, data
Analysis showed that urgent care, specialty care and high-cost radiology also were significantly overutilized, while primary care and preventive care services were underutilized.

The MLC and the city worked together on value-based design changes to help encourage more appropriate utilization of health care resources. Recognizing that strong primary care is essential to improving health outcomes and lowering costs, new benefit design elements encouraged employees to utilize the best site of care for their situation. Among the changes:

- To help address the high costs and overutilization of the hospital emergency room—often for care that can be more effectively delivered elsewhere—the $50 per visit copayment was raised to $150.
- To help address the low utilization of primary care and the high utilization of specialty care, the copay for a physician specialty care visit, which had been $20 since 2004, was raised to $30. Primary care and mental health copays remained at a low $15 per visit. As a result of relinquishing grandfathered status under the Affordable Care Act, there now is no copay for all preventive care visits and procedures.
- To provide even better access to low-cost and convenient primary care, the city contracted with EmblemHealth, the city’s largest insurer of medical services, to provide access to all the physicians at its 36 medical home locations around the city with no copay. EmblemHealth guarantees the cost savings.
- To encourage the use of primary care while providing access to urgent care, the new copay for urgent care was set at $50, well below the new copay for the emergency room but higher than the copays for physician care.
- To help address the costs and overutilization of high-cost radiology procedures like MRIs and CT scans, the copay was increased to $50.

The city is offering two important new programs to help employees adapt to these changes, locate appropriate physician care and avoid unnecessary emergency room utilization:

- Telemedicine—Access to physician services will be offered online and via telephone 24 hours a day. This service will expand city employees’ access to immediate physician availability and help reduce the costs and inconvenience of unnecessary emergency room utilization.
- Zocdoc Online Scheduling—A New York City customized version of the Zocdoc website soon will be available to enable employees to view and select available physician appointment times online. The site will direct employees to physicians in their network and also indicate those primary care physicians where the copay is $0.

Another extremely important change was the introduction of a more cost-effective health maintenance organization (HMO) plan that takes an innovative approach to achieving better health outcomes. The plan provides the same health coverage as the current HMO but encourages the use of preferred providers that are given incentives to improve medical management, enhance quality and improve member engagement. The copay for using preferred providers remains at $0, but there now is a $10 copay when a patient goes to a non-preferred provider.

An important aspect of implementing the changes was educating employees on how to use the new plan effectively. They needed to understand that while some changes potentially could cost them more, by making appropriate use of their benefits, they could actually lower out-of-pocket costs.

Promoting a Healthier Workforce

Under a new initiative known as WorkWell NYC, the city is developing a number of wellness initiatives to help generate a culture of health among the city’s workforce. These initiatives aren’t expected to result in significant savings in the next year or two but are part of a longer term strategy to improve the health of the population and reduce future health care costs. Many employees are long-term employees and continue their coverage with the city as retirees, so this investment in their health may result in significant savings for years to come. Fundamental to the city’s strategy is a belief that worksite wellness programs will improve participation and engagement, leading to better productivity and decreased absenteeism.
More than one-third of the population is obese, and obesity-related conditions like heart disease and diabetes are leading causes of preventable death. The city recently began a heavily subsidized and discounted program with Weight Watchers enabling employees and dependents to attend worksite, community or online programs at a very reduced cost. In just the first eight weeks, nearly 10,000 city employees and dependents enrolled and began attending Weight Watchers meetings at more than 40 worksites. City and MLC officials are encouraged that so many people are working toward improving their health through weight loss, fitness and healthier food choices.

More than a third of the population is thought to have prediabetes and be at risk for developing diabetes. Recognizing that this is a significant issue for its employees, the city also implemented the National Diabetes Prevention Program sponsored by the Centers for Disease Control. The program helps identify at-risk individuals and teaches them simple lifestyle strategies that can prevent or delay the onset of the disease. The program is being offered at several worksite locations, and an online version will be offered shortly.

Several additional worksite wellness demonstration projects are helping employees with smoking cessation, stress management, hypertension, nutrition and fitness. The city hopes the demonstration projects will validate the effectiveness of wellness programming on health costs, employee engagement and absenteeism so that programs can be expanded to all city employees.

Savings Results

As a result of the significant benefit changes, along with the carryover of changes made in the first two years, the city is projecting that in 2017, $3.2 billion of the $3.4 billion savings target will be secured. That leaves one year to achieve the last increment of savings—closing the gap and potentially reaching gain-sharing goals. Further cost-saving efforts include addressing hospital relationships and offering more Medicare Advantage programs to retirees.

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