



MEMPHIS CITY ADMINISTRATION TO AMEND CHANGES TO EMPLOYEE HEALTHCARE BENEFITS

Endorsed by key members of the Memphis City Council, new change would allow the working spouses of employees to remain in the City's medical plan through 2015

Friday, October 3, 2014

(*Memphis, Tennessee*) – Mayor A C Wharton, Jr. announced late Friday that the City of Memphis will allow the working spouses of employees to remain in the City's medical plan through 2015, a move endorsed by key members of the Memphis City Council.

Mayor Wharton remarked, "I think this [change] exemplifies the willingness we have all had to not being so stuck in the mud on where we are that we are unwilling to examine the worth of a new idea or in this case, a past proposal."

At present city leaders estimate that keeping approximately 1,200 spouses in the medical plan in 2015 will result in approximately \$7 million in expenses from claims the City would not have incurred if the spouses had moved to their employer's medical plan. In an effort to recuperate this cost, the City will increase the surcharge for working spouses of City employees to remain on the City's medical plan from \$50 – the price for the last two years – to \$100.

In addition, City Human Resources Director Quintin Robinson said his Health, Wellness and Benefits team will identify opportunities to further reduce overall claims and other costs associated with the City's healthcare plan to make keeping the spouses in the plan through 2015 cost-neutral. These preliminary approaches include the following:

- Implementing a new program through Cigna (PHS-Plus) requiring pre-authorizations for certain medical visits/procedures to prevent unnecessary facility charges and claims costs;
- Expanding days and hours of operation at the Employee/Retiree Wellness clinic to 5 days a week/8 hours a day which will allow plan participants to use the clinic on an expanded basis and thereby reduce expensive emergency room visits and costs for non-emergency medical situations;
- Increasing education and awareness among our plan participants of the city's disease management program to ensure participants who suffer from chronic conditions make expanded use of these education and treatment programs to better manage their conditions and prevent episodes that could result in costly hospital stays;
- Increase the number of plan participants who complete online Health Risk Assessments. By answering basic health and lifestyle questions, as well as entering blood pressure, weight, cholesterol and other medical information, this information can be used to better manage their health and detect the early on-set of conditions that can be reversed or managed through diet, exercise and other lifestyle changes, and reducing future cost of care;

- Recommend formulary changes, step therapy for brand drugs and other changes to the pharmacy benefits to reduce the cost of prescription drugs;
- Increase surcharge from \$50 to \$100 per spouse, per month. This will generate about \$1.4M in additional revenue;
- Encourage more employees to participate in smoker cessation programs, weight reduction programs, exercise programs, and wellness education classes

It is expected that the cumulative impact of these aforementioned changes could reduce overall healthcare costs by 5% or approximately \$7 million to cover expenses for spouses an additional year. Director Robinson has affirmed that he is preparing to present monthly updates to the Memphis City Council Personnel Committee around participation and savings resulting from the aforementioned initiatives and activities.

Today's announcement comes on the heels of the City of Memphis in partnership with Methodist Le Bonheur Healthcare and Cigna opening an Employee/Retiree Wellness clinic at 1803 Union Avenue at McLean. The clinic will provide no-cost urgent care for the city's medical plan participants, and will be open Monday through Friday, eight hours each day.

In 2013, plan participants made a total of 7,201 Emergency Room visits for care at a cost of \$903 per visit. Through June of this year, there have been a total of 3,363 visits at an average cost of \$946 per visit. In 2014, the city increased the Emergency Room co-pay from \$100 to \$200 per visit if the visit did not result in an admission. There is no co-pay if the participant is admitted.

Administration officials have underscored that this week's clinic opening provides a helpful vehicle for plan participants to change their behaviors to reduce costs. With the clinic's operations, plan participants now have a more convenient and definitely affordable option to seeking treatment at a local emergency room, which should reduce emergency room visits if the clinic is fully utilized."

Robinson emphasized, "We are not necessarily treading any new ground here. The activities and cost reduction strategies we are looking to implement now and possibly into the future have been presented in some form in the past. I believe we are now getting buy-in and cooperation at a level we have not seen in the past around these proposals."

Mayor Wharton commented, "What we are doing is putting the ball in the court of all plan participants to be better consumers of their medical plan in order to reduce costs and expand coverage overall."

He added, "There are definitely additional possibilities for the future if we can achieve some significant success with this approach now."

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