



City of League City, TX and UTMB Systems Preferred Network Arrangement

Proposed Effective January 1, 2018

Overview:

Plan Design:

In an effort to reduce League City's healthcare costs and at the same time, minimize the out-of-pocket costs for the employees and their dependents, the City's Medical Plan options can be amended to include an enhanced (or preferred) benefit tier for services provided via the UTMB systems. Reducing the deductible, copayment amounts and coinsurance percentages on the Buy-up and Mid Plans will incentivize utilization of the UTMB network providers and facilities. Additionally, the HDHP/HSA plan option will include an enhanced coinsurance percentage.

Please see proposed benefits for the preferred network attached.

Network:

The UTMB systems preferred network includes all (1) hospitals, (2) outpatient facilities (3) clinics and (4) professional services. The network includes the League City campus which, in addition to the hospital, provides urgent care access. Individuals accessing urgent care at this facility will only be charged an office visit copayment. As part of the proposal, UTMB has offered to provide exclusive, preferential clinic access for League City employees to include extended hours based on the City's preference and need for appointments.

The UTMB system utilizes a single patient electronic medical record to allow for flexibility and easy access. Regardless of the location, employees and their dependents will have their records readily available. The mutual goal of League City and UTMB is to align services and offer an integrated solution that will serve as a full replacement of the CareHere clinic. In addition to primary care services, the CareHere clinic currently distributes a limited list of no-cost generic drugs. The cost associated with a replacement option for Rx services is shown below.

Please see UTMB proposal attached.

The City currently spends approximately \$390,000 in costs associated with CareHere Clinic annually. Services accessed include: primary care, physical exams, biometric screenings, Rx dispensing (*limited*) and pre-employment physicals and screenings.

CIGNA Client Specific Network (CSN) Cost:

In consideration of the proposed benefit steerage, UTMB has agreed to reduce their fee structure by offering an additional +10% PPO discount above their standard PPO discount with CIGNA. This reduced



fee structure will apply to all services accessed at UTMB systems including: (1) hospitals, (2) outpatient facilities (3) clinics and (4) professional services.

Cigna must build the plan to accommodate the new benefit structure and revised PPO discount schedule. Plan set-up requires a 90-day implementation time. There is a one-time set-up fee and an ongoing maintenance fee charged by Cigna to facilitate the additional preferred network arrangement.

Summary of CIGNA Fees:

- Set up fee \$14,747.90
- Annual maintenance fee \$11,587.28
- Total CSN Cost \$26,335.19

IPS was able to secure a \$10,000 implementation credit to reduce League City's cost to **\$16,335.19**.

Prescription Replacement Options:

Cigna's projected CareHere prescription replacement cost includes two options provided to replace the no-cost generic available through the clinic currently:

- Cigna no-cost generics added to all plans +6.84% - estimated annual cost \$68,400.00*
- Cigna \$5 copay for generics added to all plans +3.35% - estimated annual cost \$33,500.00*

**Assumes current annual Rx utilization of \$1,000,000 based on past 12 months*

Financial Considerations:

The City's projected claim cost to provide steerage thru plan design changes are outlined below:

- *(reduced deductibles, lower copayments, and increased coinsurance)*

Percent Preferred Network Steerage	Plan Incentive Cost
10%	\$22,590
20%	\$45,180
30%	\$67,780

Using conservative estimates the projected savings to the plan are outlined below:

- Calculations are based on the percentage of medical claims in 2018 that will be incurred at a UTMB system provider

Percent Preferred Network Steerage	Medical Claims	Savings / 10% discount
10%	\$400,000	\$40,000
20%	\$800,000	\$80,000
30%	\$1,200,000	\$120,000