MLC Path To Preserving Benefits

Strategic Plan

Our goal, as always, is to provide quality healthcare in an economically sustainable construct for our members and their families. We have seen in the recent years this become increasingly strained. In ten years, we have seen the City's cost for healthcare, both medical and hospital, rise from some $5 billion to $11 billion. Increases of this magnitude simply are not sustainable if we are to provide a quality, premium-free healthcare plan for our members.

To meet this goal, we have three components in play: (1) the plan for active members; (2) the plan for retirees; and (3) the Stabilization Fund, a fund jointly created and controlled by the MLC and the City, which supports benefits for both the active and retiree populations.

Accordingly, the MLC, as part of the last two sets of bargaining agreements, negotiated with the City to achieve savings in the "actives" plan, implementing programs to avoid the use of expensive hospital settings for procedures like colonoscopies that could appropriately be sited in outpatient facilities or physicians' offices; incentivize members to avoid unneeded use of costly hospital emergency rooms when appropriate, less expensive venues, like urgent care centers and/or primary care physicians, are more appropriate; increased specialist copays to encourage better relationships with primary care physicians; implemented managed care through Empire for utilization and high cost claims management; and secured a reduction in costs by having new hires go into the enhanced HIP HMO plan for their first year, a program that has seen over 95% of those hires remain in the plan after the expiration of the fixed period. Over the past two agreements, we have achieved significant savings—some $4.5 billion—which contributed to our wage increases without sacrificing quality and with maintaining a premium-free plan.

The retirees health plan has not been immune from these pressures. But for last year's aberrational Covid experience, the cost of Senior Care has increased well beyond expected norms. Over the past six years, the Senior Care plan cost has increased nearly 30%, which is 50% more than the average Medigap plan over that same period. To address this problem—and recognizing that there had been no changes to the retiree program corresponding to what had been undertaken for the actives—it had been agreed to put copays into place for Senior Care to work towards maintaining a premium-free, quality program. Implementation of that decision was deferred because of Covid's turning the world upside down and the onset of the bidding process for a Medicare Advantage program that promised significant savings. The expected resumption of "normal" increases in healthcare costs for retirees—a group that understandably makes significant use of medical providers—would certainly threaten the ability to maintain a premium-free plan.

Along with these challenges, we are also confronted with a steady diminishment of the Stabilization Fund, a fund that provides essential benefits to actives and retirees, including contributions to our welfare funds which typically provide prescription drug, dental and optical coverage; covers the costs for our PICA program for actives and pre-65 retirees, encompassing cancer drugs and injectables; funding enhanced mental health coverage; payment for the Empire Managed Care programs; and funding for various other health and welfare related benefits. the fund balance, net of reserves, stood at some $1.25 billion. Given the increasing costs of healthcare and benefits, the fund has been significantly depleted, with a balance, net of reserves, as of May 31,2021 at $391 million. While we have taken steps to support the Stabilization Fund through the above measures, the increasing costs of benefits have outstripped the resources of the Fund and it is presently scheduled to run out of money in FY 22 putting into doubt the provision of these essential benefits. Accordingly, as part of the Medicare Advantage construct, we insisted upon—and obtained—the City's agreement that *all savings generated from the Medicare Advantage program will go to support the Stabilizatio Fund.*

Where are these savings coming from? The federal government subsidizes Medicare Advantage programs because the programs relieve it from much of the back-office tasks associated with the Medicare program. This subsidy is *not* available for Senior Care, because Senior Care is not an MA program. Given the peril of the increasing cost of healthcare to our quality, premium-free programs and the fact that in the past several years the federal subsidies for Medicare Advantage programs have greatly increased to incentivize their use, it was determined to see what such a program could mean for us. Accordingly, working with our long-time healthcare consultants (Segal) and the City's (Milliman), an RFP-type proposal was put out for a plan customized for our members' needs. As we will now turn to, educated by Segal and Milliman, the result of the RFP was that we can benefit from these subsidies *to the tune of $500 million and more annually*—all while maintaining the same providers and hospitals that our retirees are currently using.