

MEMORANDUM

To: Kathleen Green
From: Andrew D. Sherman
Stephen L. Kuhn
Date: March 10, 2014
Re: Physical Therapy Benefit

As requested, we have reviewed the estimated costs associated with changing the physical therapy benefits for the City of Boston's non-Medicare health plans. We note the following regarding the physical therapy benefit and the estimates in this memo:

- The cost factors vary by carrier due to, but not limited to, such things as: differences in the current benefit, differences in the financial arrangement (self-funded vs. fully insured), and the basis on which they apply (medical claims vs. total premium).
- Estimating the cost of these types of changes is challenging due to the low percentage of members impacted by the consecutive day limits. The actual costs of these changes could be lesser or greater than estimated.
- There still may be slight variances in the benefits even if the City implements the same visit limits for all plans. For example, one carrier may count both physical and occupational therapy towards the visit maximum and another carrier may include only physical therapy towards the maximum.

Harvard Pilgrim Health Care

The estimate costs below are based on an actuarial medical claims adjustment factor, provided by Harvard Pilgrim Health Care (HPHC), applied to Segal's projected medical claim expense included in the HMO and POS Plan working rates effective July 1, 2014.

Current Benefit	Benefit Alternative
Up to 60 consecutive days per condition	60 visits per calendar year
Medical Claims Factor	0.4%
Estimated Annual Cost	\$800,000

We note the HPHC medical claim factor is an actuarial factor and not based on the City's actual detailed claims experience. The HPHC factor appears reasonable for a rough estimate.

Neighborhood Health Plan

The estimate costs below are based on a premium adjustment factor, provided by Neighborhood Health Plan (NHP), applied to the fully insured premium rates effective July 1, 2014.

Current Benefit	Benefit Alternative
Up to 90 consecutive days per condition	60 visits per calendar year
Premium Factor	0.10%
Estimated Annual Cost	\$30,000

Blue Cross Blue Shield of Massachusetts

The estimate costs below are based on the NHP premium factor, adjusted for the medical claims portion of the total premium, and applied to Segal’s projected medical claim expense included in the Blue Choice working rates effective July 1, 2014.

Current Benefit	Benefit Alternative
Up to 90 consecutive days per condition	60 visits per calendar year
Medical Claims Factor	0.15%
Estimated Annual Cost	\$20,000

Blue Cross Blue Shield of Massachusetts (BCBS) stated that they did not anticipate additional costs associated with this change based on a review of the Blue Choice Plan utilization; however, the utilization of a larger group (than only the City’s members in the Blue Choice Plan) would be a more credible source to use as a basis of the cost. While we do not believe there will be a significant cost associated with these benefit changes, we do anticipate there is an added cost. As a result, we have provided a rough cost estimate using the NHP factor, as the current NHP design matches the Blue Choice design.

We note that these projected costs are not a guarantee of future results. Actual experience may differ due to such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulations.

We are prepared to discuss this with you and to respond to any questions the City may have.

cc: Lynda Fraley
Tina Wells