

To: Benefits-Eligible Employees  
From: Human Resources  
Date: August 7, 2013  
Subject: 2014 Health Insurance Carrier Review

After conducting a comprehensive review of three (3) potential health insurance carriers, the preliminary recommendation of Human Resources is to remain with the incumbent carrier, Blue Cross Blue Shield (BCBS) of Massachusetts, for the 2014 calendar year. Below is a synopsis of the carrier assessment for your review. ***Your feedback and questions are welcome and encouraged as the Institution works towards making a final decision by August 16, 2013.***

As mentioned in an earlier communication, conducting regular periodic reviews of health insurance carrier alternatives is important for reinforcing the delivery of quality services and favorable carrier performance, as well as encouraging competitive pricing. The carriers reviewed included:

1. Blue Cross Blue Shield of Massachusetts (BCBS) – the incumbent carrier;
2. UnitedHealthcare – a national network carrier, which has a local network partnership with Harvard Pilgrim;
3. Cigna – a national network carrier, which has a local network partnership with Tufts.

#### **Provider Disruption Analysis**

One of the main assessments Human Resources conducts when reviewing potential insurance carriers is a ‘provider disruption analysis.’ A provider disruption analysis compares the list of providers currently being used by employees and their eligible dependents against the list of providers in the prospective carriers’ provider network. This analysis helps the Institution determine the level of provider disruption that might be experienced by employees and their eligible dependents as a result of a change in insurance carrier. ***It is important to understand, however, that even when there is no change in insurance carrier, there is likely to be some level of disruption that takes place year to year.*** This disruption occurs because most providers enter into a three (3) year contract with insurance carriers and a third of those contracts typically expire each year. Therefore, the provider network changes yearly as providers are entering and exiting networks. Further, it is worth noting that each year, some participants elect to receive care from providers who do not participate in the insurance carrier’s network. For example, in 2012 there were over 120 providers utilized by enrolled WHOI employees and their eligible dependents that were considered part of BCBS’s network of providers in 2012 but are not currently part of BCBS’s network of providers in 2013.

As we look forward to the medical plan options that will be offered in 2014, a key area of concern has been the potential provider disruption to those employees (and their eligible dependents) who are currently enrolled in either the HMO or Access Blue plans. Both of these plans rely on an HMO network of providers, whereas plan offerings for 2014 all rely on a PPO network of providers (a more expansive network). Based on the provider disruption analysis, of the 2,478 providers currently being utilized by employees and eligible dependents who are enrolled in either the HMO or Access Blue plans, only two (2) providers are not in the 2013 PPO network of providers. Thus, ***it is anticipated that there will be minimal provider disruption should the Institution remain with BCBS as our insurance carrier for 2014.*** In contrast, a similar

provider disruption analysis when assessing both UnitedHealthcare and Cigna revealed greater disruption.

With regard to prescription drug coverage, an analysis of the top 50 prescriptions used by volume indicated that a transition to UnitedHealthcare or Cigna would result in the most cost increase to participants given the pricing structure of UnitedHealthcare and Cigna's prescription programs.

### Quality of Coverage

Quality of coverage and service is critical to ensure that employees and their families are well taken care of when they seek medical services and have questions about their plan. All carriers reviewed have strong reputations in the marketplace regarding service and coverage, which was a criterion we vetted prior to our finalist meetings. After meeting with each of the carriers, we are certain each can provide the broad coverage we have been accustomed to and the attentive, effective service we require. As they are all fairly equal in this area, what became clear is that the confidence we've had in BCBS up to this point will continue and serve the Institution well as new plans are introduced to employees.

### Tools and Resources

Because of the greater potential for out-of-pocket expenses that accompany consumer driven health plans, it can be beneficial for participants to have access to tools that help to estimate financial exposure for various services and to conduct cost comparisons among those facilities and providers where participants can access these services. Tools can also assist participants in tracking the balance of their deductibles and making payments to providers. While each of the carriers reviewed offers on-line tools to help participants manage their health care and associated finances, BCBS is not as far along as UnitedHealthcare and Cigna in the development and integration of their on-line tools. Every indication shows, however, that BCBS is continuing to invest in their technology and is working concertedly to bring their capabilities up to par with other carriers.

### Cost

The incumbent carrier, BCBS, has proposed the most competitive fixed cost for administering our group medical plan and offers the best negotiated pricing discounts with physicians. Further, BCBS has proposed the most competitive pricing for the Institution's *Medex Plan*, which is a Medicare supplement plan provided to retirees age 65 and older.

We will be continuing to work with our benefits brokers to finalize the negotiated fees with the selected carrier and to develop premium rates for 2014.

### Additional Resources for More Information

- 2014 Medical Plan Changes: <http://www.whoi.edu/website/HR/2014-medical-plan-changes>
- Frequently Asked Questions (FAQs): <http://www.whoi.edu/HR/page.do?pid=122736>
- Information on Health Reimbursement Accounts (HRAs) and Health Savings Accounts (HSAs): <http://www.whoi.edu/HR/page.do?pid=122717>
- If you have a specific question that is not addressed by one of the resources above, please arrange to speak with someone in Human Resources at [hr@whoi.edu](mailto:hr@whoi.edu) or x2253
- Institution meetings will be scheduled to review the 2014 medical plan options and to provide further education on Health Reimbursement Accounts (HRAs) and Health Savings Accounts (HSAs)