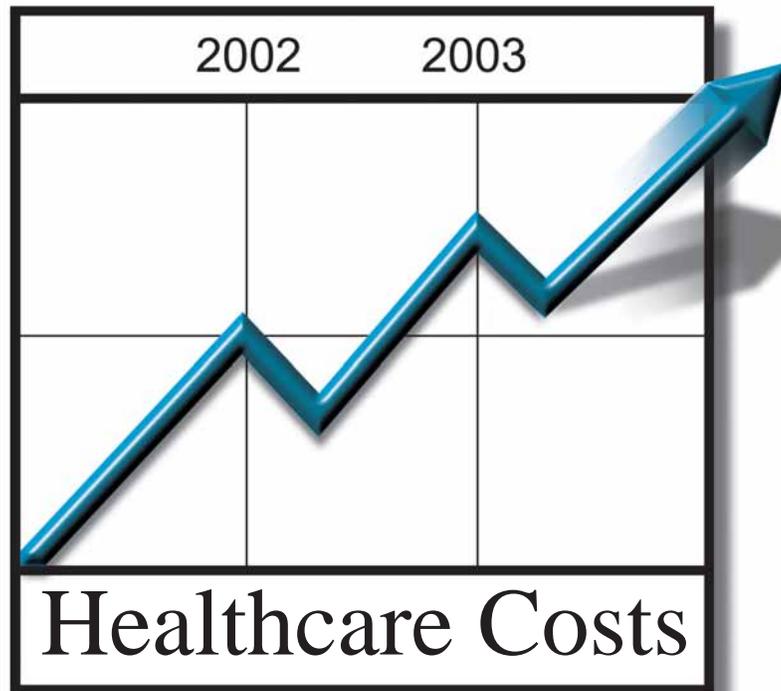


# Healthcare Crisis Hits LACCD

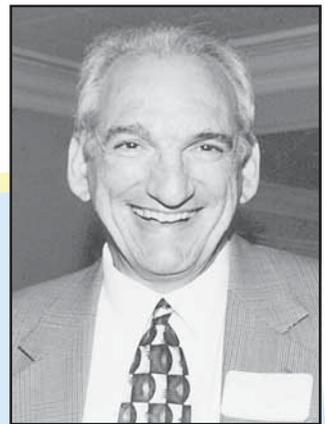
Working Together, Unions Search for Proper Prescription



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# We Must Act Now to Stem Rising Healthcare Costs



American health care is in a state of crisis. Costs are skyrocketing. Premiums are going through the roof. Public health systems are collapsing. And many analysts are predicting this is not a single year phenomenon; in fact, they expect it to worsen in coming years.

Against this backdrop, our two major providers, Blue Cross and Kaiser, this year are demanding a \$10 million increase in benefits costs – an amount that could pay for an across-the-board salary increase of well over 3% for all LACCD employees. Under any circumstances this is serious money, but particularly in a very tough fiscal year, we need to think long and hard about how to respond to this situation.

We have prepared this booklet for you to outline the problems we face and our recommended responses. Every choice we make and seek to negotiate – including the choice not to change anything – will have real consequences that will affect different groups of people in different ways.

- *Fulltime faculty* depend on both salary and benefits, and need to think carefully about the appropriate allocation of resources to these two areas.

- *Parttime faculty* currently participate in our health insurance plans only if they pay the full premium (with the possibility of up to 50% reimbursement). Until the day when parttimers become eligible for district-paid coverage, their interest is in seeing resources allocated to salary rather than benefits.

- *Retirees* receive no salary but depend heavily on district-sponsored health insurance. Their interest is in seeing resources allocated to benefits rather than salary.

## Why Not Just Say No?

Some faculty believe the Guild and other LACCD unions should mount a coordinated campaign to pressure the Board of Trustees to have the district absorb the full \$10 million sticker shock in order to leave our plans untouched. But, after much study of the situation, we have come to the conclusion that our prospects for “victory” in such a campaign would not be very good.

Spending that kind of money to avoid making even minor modifications to the most generous district-sponsored health insurance plans is not the board’s idea of responsible public stewardship. And there aren’t many people out there ready to go to the barricades to make sure that LACCD employees and retirees in the Blue Cross

Classic Plan continue to be protected from even a whiff of the kinds of cost-sharing that are standard fare in virtually every other health plan in America.

But more important, even if such a campaign somehow succeeded, taking \$10 million off the table before serious bargaining has even begun would make negotiations very difficult.

## Benefits Rich, Salary Poor

So far 2002-03 salary settlements in other districts appear to be in the 2%-3% range. Losing salary ground to other districts to avoid co-pays and deductibles makes no sense for LA faculty, who are already more richly benefited and more poorly paid.

*Lifetime coverage, choice of plans, no employee premium contribution:* these are the essential characteristics of LACCD benefits that make them so attractive. Even after any plan modifications we might agree to, we will still have the best benefits package of any community college or K-12 district in the state.

1521 leaders have been meeting with the leadership of all the LACCD unions to formulate a collective response to this serious crisis. Collectively, we believe that benefited employees who select the Blue Cross plans – the most expensive plans with the most rapidly escalating costs – must help offset these increases by accepting higher copays on brand drugs and small copays for office visits. These modest changes will leave the district with the responsibility for absorbing most of the costs of the health benefits increases.

Please read these materials carefully and let us know your thoughts. We must make some decisions right away to meet open enrollment materials deadlines. Rest assured that Guild cooperation in any plan modification is contingent upon reaching an overall contract agreement that advances the interests of our members.

In Solidarity,

Carl Friedlander, President

# Labor Caucus Proposes Two Blue Cross Plan Changes to Address Price Hikes

Dozens of union leaders and negotiating teams affected by the ongoing LACCD health care crisis gathered with AFT 1521 representatives from the Joint Labor Management Benefits Committee July 8 to try to devise a strategy to address the growing problem. The meeting was held at SEIU Local 99's headquarters.

Discussion centered on how best to find almost \$3 million to cover the districtwide shortfall. Various

combinations of office co-pays, prescription drug co-pays, hospital co-pays and deductibles were explored for

can make all the difference in being able to keep our plans."

Union benefits consultants John Fickewirth and Assoc., who were recently hired by the LACCD, were on hand to provide detailed financial breakdowns on the two Blue Cross plans (see chart on

page 6-7) being considered for modification to help close the growing healthcare funding gap.

The issue of direct employee premium contributions, which many consider a threshold never to be crossed, was discussed but was rejected as too onerous. Union representatives debated how best to wring major cost savings out

of the plans while minimizing the impact on individuals. The recommendations of the group are listed in the box below.

There are more than 38 million in America without health insurance.

More than 20% of Californians have no health insurance. That's well above the national average of 15.5%.



our two Blue Cross plans – Classic and Plus. “We found we could save a lot of money – nearly a million dollars – simply by weighing a copay to favor generic drugs,” noted JLMBC Co-Chair Susan Aminoff.

“Educating our members to take simple steps like ordering generics



Top: President Carl Friedlander addresses union leaders on the health care crisis; Right: JLMBC Co-Chair Susan Aminoff.



**Option 1: Increase co-pay on brand-name vs. generic drugs on Blue Cross drug plans.** There are tremendous cost savings when members choose a clinically appropriate generic drug over the brand name drug. Raising the co-pay from the current \$5/\$10 plan to \$5/\$15, will save the plan more than \$750,000.

**Option 2: Instituting a \$10 office co-payment for Blue Cross Classic and Plus members.** As you can see from the chart on pages 6-7, instituting co-payments on office visits yields enormous savings. A \$10 co-pay saves nearly \$1.6 million.

# RISING HEALTH BENEFIT PREMIUMS: Two Aspirin Will Not Handle This \$10 Million Headache

## Guild's Top Three Health Care Priorities

- ❖ lifetime retiree coverage for eligible employees and spouses
- ❖ plan choice
- ❖ premiums fully paid by the employer for all plans.

In 1987 Blue Cross offered 128 different plans, by 2006 they'll offer just 25.

by Carolyn Widener, Executive Vice President

A recent Bizarro cartoon shows one co-worker telling another, "Actually our new company health insurance policy refuses to pay for any condition developed by a pre-existing person..." An LAUSD teacher writes the *LA Times* to complain that while Superintendent Roy Romer's wife "gets fully paid health benefits for life, teachers are being asked to start paying additional premiums each month for each dependent" ... The PERS Health Care program accepts a 25% increase.

### What's going on?

Simply put, *the perfect storm has hit health care*. In the LACCD, the storm's fury this year is centered on the Blue Cross Classic Plan. Our overall premium increase for all health care is 27% (\$9,996,872), or three times greater than our usual annual increase. Sixty percent of that is on this one plan alone, with a 35% increase for active Classic members.

### Why is health care suddenly so expensive?

The answer depends on who gets asked the question. Health care industry spokespersons cite the expense of new medical technology and prescription drug research while insisting all the cost-savings were wrung out of "managed care" in the 1990s. Critics point to the high stock prices and large CEO salaries of these for-profit health care companies, the consolidation of plans in the market,

designer drug advertisement costs and the failure of the US Congress to pass any meaningful government-sponsored health care since Medicare. Pragmatists agree that when the giant PERS took the 25% hit, the fate of the smaller players was sealed.

### Why is the Blue Cross Classic Plan so expensive?

The short answer is: they don't make 'em like this any more. Like great art, automobiles no longer manufactured and everything precious enough to be housed in museums, this plan is indeed a Classic.

All its 2,156 active and 1,330 retiree members love that it pays 100% for direct access to a wide-range of medical providers, including specialists, with no annual deductibles, no office visit or hospital co-payments and no employee contribution to the monthly premium no matter how many dependents are covered.

In the contemporary health care game, employees are charged more for choice. Only in HMOs like Kaiser, with their own hospitals and "gate-keeping" primary physicians, is it usual to have no or low co-payments for office visits and hospital admissions as well as no employee contributions to the premium for covered dependents.

The design of our Blue Cross Classic encourages members to use it, and they do...much more often than other comparable employee groups in other Blue Cross plans. So, Blue Cross is paying

more to health care providers – and raising our rates.

### Is this just a "single-year, single-plan" problem?

Unfortunately, no. Predictions are that next year will also be difficult, with similar steep increases on HMO plans.

### What have we already done to help fix the problem?

We have already taken the following steps:

- All unions have agreed to negotiate on benefits together; we have been working since November on a common contract article.
- With our support the district has replaced Keenan and Associates with John Fickewirth and Associates as the broker/consultant for health care. John works for unionized employees; we can trust him to get us the best deal possible and to help us make wise choices.
- The district has agreed to take a \$2.5 million credit against this year's premium increase by leaving a special reserve with Blue Cross.

### What's next?

We must negotiate with the district how much of the remaining \$7.5 million increase they will pay, as we emphatically resist any changes to the following priorities:

- lifetime retiree coverage for eligible employees and spouses
- plan choice

(continued on next page)

- full employer-paid premiums for all plans

**Does this mean some plans will change this year?**

Yes. The Blue Cross plans will most likely change. The district's negotiating position is that employees selecting expensive plans need to share part of their extraordinary cost increase. Changes must be made soon in preparation for the October open enrollment.

John Fickewirth is currently meeting with the negotiating teams and other union leaders in the district. *The changes getting serious attention are increased co-payments for brand name drugs, office visit co-payments and annual deductibles.* We don't want to consider the option of employee contribution to the monthly premium (like LA Unified is facing and like most Americans already have) because we know there is no road back.

**Can we get IRC 125**

**accounts to help with these out-of-pocket medical expenses?**

It's "on the table." One of these accounts allows employees to use pre-tax dollars for health care expenses such as co-payments and deductibles. Another allows employees to use pre-tax dollars to pay for child care or elder care expenses. Our current contract proposal requires the district to offer both, if necessary, through a third party administrator.

**Will Kaiser and CIGNA change?**

Not this year. Kaiser remains the most "affordable" plan choice, particularly for retirees over 65 with Medicare coordination. In this Senior Advantage plan, there is no drug co-payment.

**Will the plans change even more next year?**

They might, unless the economy turns around. To avoid the shock next year that

we had this year, the unions and John Fickewirth will begin working as soon as this year's open enrollment is completed. We will study some options to change financing rather than plan design, such as self-funding vision and dental. However, the 100% Blue Cross Classic is vulnerable; most such PPO plans pay 90% not 100%. They look more like our Blue Cross Plus Plan. A Blue Cross Plan which pays 100% is more commonly a Blue Cross HMO with more limited choices of doctors and hospitals.

All these possibilities need to be carefully studied with input from employees and retirees. It will be a demanding task that will require careful thought and extensive discussion. We must commit ourselves to the effort because our health care benefits are so important to all of us. We must work together through these difficult times to retain our priorities of retiree life-time coverage, plan choice, and premiums fully-paid by the district.



"Well, it certainly is a well-equipped hospital."

**One Minute Interview with Benefits Consultant John Fickewirth**

**As a consultant who has worked with many public sector unions over the years, how does the LACCD plan compare to other unions?**

It's better than anything else I've seen in more than 20 years in this business. Your benefits menu is rich beyond comparison. Other unions would die for your plans. Even with the plan modifications your members are now discussing, your plan is still way ahead of anything else.

**What is the industry standard in healthcare benefits today?**

Employers are setting their contribution rate at the HMO rate, the

cheapest plan, and telling their employees they have to pay the difference for any other plan, which can mean as much as \$500 a month for a family. That's what you might end up with if you fight for the district to pay for all of the increases.

**What kind of settlements have other unions made that we should steer clear of?**

With health care inflation trends at 18-20% right now, settling for an annual set percentage rate increase in district contributions for healthcare benefits in your contract would be a big mistake.

It's better to have to modify a plan with co-pays and deductibles in order to avoid employee contributions to premiums.

I can't stress enough the importance of retaining control of the health care debate in negotiations. If you control the debate, you can get a good deal. Remember, you don't get what you deserve. You get what you negotiate.



# Savings in Blue Cross Classic & Plus Plans

The chart below shows possible savings from various plan modifications according to Blue Cross

## RX Copayment

### Blue Cross Classic (Current: \$5/\$10)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$7/\$12	\$180,930	\$163,986	\$344,916	
\$5/\$15	\$309,591	\$280,416	\$590,007	
\$10/\$15	\$402,067	\$368,968	\$771,035	

### Blue Cross Plus (Current: \$5/\$10)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$7/\$12	\$26,994	\$66,816	\$93,810	\$438,726
\$5/\$15	\$49,668	\$116,261	\$165,929	\$755,936
\$10/\$15	\$67,484	\$153,678	\$221,162	\$992,197

## Deductibles

### Blue Cross Classic (Current: \$0) All Services

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$50	\$542,790	\$167,266	\$710,056	
\$75	\$643,306	\$175,465	\$818,771	
\$100	\$683,513	\$188,584	\$872,097	
\$120	\$828,257	\$250,898	\$1,079,155	
\$200	\$1,123,776	\$368,968	\$1,492,744	
\$250	\$1,346,923	\$454,241	\$1,801,164	

### Blue Cross Plus (Current: Basic Medical \$30, Major Medical \$100)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$100	\$83,680	\$70,157	\$153,837	\$1,025,934
\$200	\$141,177	\$140,314	\$281,491	\$1,774,235
\$250	\$167,361	\$145,326	\$312,687	\$2,113,851

## Office Visit Copayment

### Blue Cross Classic (Current: \$0)

	Active Savings	Retiree Svgs	Total Savings	Total Savings Both Plans
\$5	\$603,100	\$221,381	\$824,481	
\$7	\$643,306	\$259,918	\$903,224	
\$10	\$1,005,166	\$327,972	\$1,333,138	
\$15	\$1,282,592	\$391,106	\$1,673,698	
\$20	\$1,570,070	\$476,379	\$2,046,449	

### Blue Cross Plus (Current: \$0)

	Active Savings	Retiree Svgs	Total Savings	Total Savings Both Plans
\$5	\$72,883	\$83,521	\$156,404	\$980,885
\$7	\$85,570	\$97,886	\$183,456	\$1,086,680
\$10	\$118,772	\$123,610	\$242,382	\$1,575,520
\$15	\$159,803	\$151,673	\$311,476	\$1,985,174
\$20	\$195,164	\$185,416	\$380,580	\$2,427,029

This year, workers in the private sector are shouldering an additional 30% premium increase, costing them in excess of \$450.

Lipitor, an anti-cholesterol drug, was dispensed more than 48 million times in 2000, making it the year's most prescribed drug.

### Hospital Admission Copayment

#### Blue Cross Classic (Current: \$0)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$50	\$28,145	\$9,019	\$37,164	
\$100	\$60,310	\$18,038	\$78,348	
\$200	\$118,610	\$36,077	\$154,687	

#### Blue Cross Plus (Current: \$0)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$50	\$810	\$668	\$1,478	\$38,642
\$100	\$1,620	\$1,336	\$2,956	\$81,304
\$200	\$2,969	\$3,007	\$5,976	\$160,663

### Emergency Room Copayment

#### Blue Cross Classic (Current: \$0)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$35	\$60,310	\$73,794	\$134,104	
\$50	\$82,424	\$90,192	\$172,616	

#### Blue Cross Plus (Current: \$0)

	Active Savings	Retiree Savings	Total Savings	Total Savings Both Plans
\$35	\$5,399	\$26,727	\$32,126	\$166,230
\$50	\$10,797	\$33,408	\$44,205	\$216,821

One in every seven health care dollars being spent each year is spent on the last six months of a patient's life.

According to a survey by Hewitt Associates, most companies are only willing to pay 8 of the expected 13% increase in premium costs.



# Glossary

Health insurance plans can be broadly divided into two large categories: (1) indemnity plans and (2) managed care plans, which include HMOs and PPOs.

- Indemnity Plans - This traditional type of insurance reimburses members for medical expenses without restricting them to a network provider. The Blue Cross Prudent Buyer Plus plan is such a plan. Under this plan, Blue Cross pays approximately 80% of the usual and customary charges for medical service. Employees have access to the widest possible range of providers.

- Managed care plans - At

present, the LACCD health benefit program offers two types of managed care plans: Health Maintenance Organizations (HMOs), and a Preferred Provider Organization (PPO). Managed care is a term that applies to healthcare plans that are designed specifically to control costs.

- 1) LACCD HMOs - Kaiser and Cigna - HMOs provide medical treatment on a prepaid basis, which means that the District pays a fixed monthly fee per employee regardless of how much medical care that employee needs in a given month. In return for this fee, the HMO provides a wide variety of medical services, from office visits to hospitalization and surgery. Doctors and hospitals are designated by the HMO.

- 2) LACCD Preferred provider organizations (PPOs)- Blue Cross

**Classic Plan** - The Blue Cross PPO network is made up of doctors and/or hospitals that have agreed to provide service to Blue Cross Classic members for a price that has been negotiated between the provider and Blue Cross. Unlike the Prudent Buyer Indemnity Plan, at present Blue Cross Classic members that stay within network have no co-insurance.

- Deductible - Amount of payment a patient is responsible for each year before the insurance company pays.

- Copay - Amount of payment a patient is responsible for each doctor visit or procedure. The insurance company pays the balance.

# Save Money with Generic Prescription Drugs

## What Can You Do?

By Susan Aminoff, Co-Chair,  
Joint Labor Management  
Benefits Committee

Since early last year, your Joint Labor Management Benefits Committee (JLMBC) has actively pursued several successful strategies to mitigate premium increases.

We are proud of several projects the committee initiated which helped keep increases to a minimum last year. Experts estimate that the Medicare and retiree database projects alone have saved millions of dollars in premium payments.

Now the JLMBC is pursuing cost savings in the prescription drug arena. Our analysis has shown us that by using generic drugs, the low-cost equivalents that become available once the manufacturer's patent expires, we can save millions more. And generics have proven to be as effective as the brand name drug in most instances.

One of the cost-saving strategies the committee is

considering is a higher co-pay on brand name drugs.

To save money and keep our excellent benefit plans, there are three easy things that *every* employee and retiree can begin to do:

1) Ask your physician if your prescribed medication is available in generic form.

2) Ask your doctor if the generic is clinically appropriate for you.

3) Check to see that your pharmacy dispenses generics when available.

Last year almost 20% of all prescriptions used by LACCD active and retired employees could have been filled with generics.

Remember – the average brand name prescription costs 60% more than its generic equivalent!

In addition, Blue Cross members should use mail-order services if maintenance medications are required.

Such maintenance medication may include cholesterol lowering medications, high

blood pressure medications, diabetes medications and hormone replacement therapy.

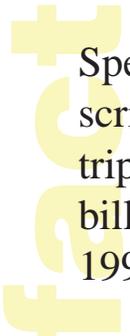
Healthcare premiums are expected to increase dramatically again next year. All active and retired employees must understand that preserving our incredible health benefit program is *our collective responsibility*. Together, there is much we can do to lower cost without changing quality or choice.

Here are three easy things that *every* employee and retiree can begin to do:

1) Ask your physician if your medication is available in generic form.

2) Ask if the generic is clinically appropriate for you.

3) Check to see that your pharmacy dispenses generics.



Spending on prescription drugs tripled to \$132 billion between 1990 and 2000.

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