

## MARGATE HEALTH BENEFIT UPDATE

July 20, 2017

For months there has been rumor and speculation about an FBI probe of prescription fraud involving doctors, pharmacies and public employees within Atlantic County. Nationwide there reportedly has been a 3,000% increase in the dispensing of “compound drugs” in the past several years. Insurance companies are well aware of the increased numbers of prescriptions by physicians and have taken steps to limit the acceptance of many of these drug compounds from prescription plans which in turn has reduced their costs for claims.

Margate did receive an inquiry from the FBI in June seeking only the names of all employees who receive health benefits through their employment with the city as well as claim information available only through the NJ State Health Benefit Program. Margate obtained this information and was able to timely comply with this request. This information was provided to a media source in early July as per state law after receiving an open public records request sent to the City Clerk.

Various media reports have led to wide speculation regarding prescription use and misuse as well as misinformation and assumption relative to costs and monitoring. The following are some facts that should be considered at this time:

1. Margate participates in the New Jersey State Health Benefits Plan with almost all participants enrolled in the New Jersey Direct 10 plan with Rx benefits. The enrollment is currently 116. (source: Margate State Licensed Broker)
2. Margate is one of approximately 700 New Jersey local government entities (municipalities, counties school districts, housing authorities and fire districts which participate in the New Jersey State Health Benefits Program. (source: NJ State Health Benefits Program 2017 Rate Renewal Recommendation Report, September 2016)
3. The total yearly health benefit premium for Margate in 2014 was \$2,399,712; in 2015 \$2,611,048 and in 2016 \$2,773,383. The 2017 premium based on the 116 total enrollment will be \$2,773,383 a slight decrease. (source: Margate State Licensed Broker).
4. The average increase in total premiums for Health Care for city employees has increased 5.0% per year over the past three years. (source: Margate State Licensed Broker)
5. In 2016 \$1,113, 946.35 was contributed by the city employees reducing the net cost for health benefits to \$1,686,343 to city taxpayers. (source: Margate Chief Financial Officer)
6. In each of the past three years the portion of the health benefit premiums to Margate for prescriptions has varied between \$536,442 and \$555,399, an extremely stable cost. (source: Margate Chief Financial Officer)
7. Neither Margate nor any other of the 700 local governments participating in the State Health Benefits Plan regularly receive any reports broken down by municipality listing claim experience. The plan is administered by the State of New Jersey and is broken down by local government active employees statewide as well as local government retired employees statewide. The only way to get reports sorted by municipality is to request a special report to be produced at a fee of several thousand dollars each.

8. The State Health Benefits Plan is professionally administered and plan changes are considered yearly. In 2017 the plan incorporated the following language: "The SHBP will pay (only) for the cost of the generic equivalent for all multi-source drugs (brand drugs with generic equivalents available)". This change was projected to save 3.6% in premiums." (source: September 14, 2016 Plan Year Renewal Recommendations)
9. "In February 2016, The SHBP Plan Design Committee adopted the full Express Scripts Compound Management solution. This solution excludes all compound ingredients that lack clinical evidence. Prescription drug (cost) trends were adjusted lower to incorporate this language." (source: September 14, 2016 Plan Year Renewal Recommendation.)

The overwhelming large pool of covered lives within the State Health Benefits Plan makes that program very cost appropriate for the overwhelming majority of local governments in New Jersey. It is one of the largest and most successful examples of shared services within the state and perhaps the nation.

The Margate budget for net health care costs has actually decreased each of the last three years because of cost containment measures including mandatory employee contributions. Prescription cost increases have been less than 4% total over a three year period. Your professionals are not here to manage prescription claims ( a private matter between doctors and patients); your professionals are here to manage costs which are being contained.