



JUST THE FACTS:

Understanding Changes to the PHBP Health Plan

At the PHBP, we know there are questions about the impact of changes we're making to the plan in 2019. Our goal is to make sure you understand what the changes to our plan mean for you and your family. Over the next several weeks we'll provide additional information on these changes, and we look forward to seeing you on December 4th to discuss the plan in more detail.

In the meantime, we wanted to share a few key points with you – our plan members – on the rationale for these changes, and what you can expect moving forward into 2019.

Why did the PHBP need to make these changes?

It's no secret that the healthcare marketplace has gone through massive disruption over the last decade. Premiums are rising, as are deductibles and out-of-pocket costs. As a result, health care plans of all types are being forced to make modifications to the benefits they're offering their members.

At the PHBP, the health of you and your loved ones is our greatest priority. That's why our plan has always offered the highest quality health benefits **FREE OF CHARGE** to our members, despite the fact that the costs for the plan have gone up every year for the past decade. This new plan allows us to continue to deliver on that promise.

So while we've had to adjust our offerings to address the changing world of health insurance, we're confident we've developed the best possible plan for those PHBP members whose contributions, based on their annual income, don't meet the actual costs of providing the highest tier of coverage.

Plan highlights for our Tier One and Tier Two members include:

- Zero premium cost.
- No deductible.
- Prescriptions for as low as \$5, with a \$20 maximum for generics.
- Lower out of pocket maximums.
- \$10 office visit copays.

- Preventative care is 100% covered.
- Opportunity for Tier Two members (those earning between \$75,000 - \$109,999 in qualifying contributions) to “buy up” to an Anthem Blue Cross PPO plan if they choose.

We'll also continue to offer dental, vision and short and long-term disability care **all at no cost to our members**. Plus, this year we're adding a \$25,000 life insurance policy for all members.

How are we maintaining a high quality, no-cost plan while the costs of coverage are soaring?

By adopting a tiered income structure that makes contributions more aligned with the actual cost of the insurance, we've preserved a high-quality, no-cost plan for all participants.

In 2019 that means offering an HMO for Tier One and Tier Two income levels that provides a zero-dollar deductible, \$10 copays and the lowest out of pocket maximums of any offered plan. It requires your care to be managed by a participant-chosen, in-network primary care physician.

Our Anthem Blue Cross HMO plan offers the widest selection of doctors of any program of its kind. In fact, 45,000 of our current 65,000 PPO network doctors statewide participate in the HMO, which means that nearly seven out of every ten doctors in our current PPO Plan are also part of the HMO plan.

Additionally, the Board researched all the PPO in-network doctors for whom claims were paid in California, and found that approximately 80% of those were paid to doctors in the HMO network; this shows that the vast majority of the health care provided to our members is by doctors who are in the new HMO Plan. This data allowed the Plan to proceed with the HMO, confident the disruption to our participants would be minimal.

Unfortunately, some of you will experience the frustration of having to find a new doctor to manage your care. However, with an 80% cross over rate for providers, this approach offers the best opportunity to provide seamless care to the vast majority of our participants while achieving the cost savings needed to allow the coverage to continue to be free for everyone..

Was there any alternative to this approach?

This plan delivers high-quality insurance at zero cost to the commercial freelancer. One alternative would be to pass along the higher premium costs directly to you, the plan member and/or your dependents. The other would be to decrease the network size of our Plans. PHBP's Board of Trustees, made up of both Employers and Freelance Employees, felt our most important priority was to keep our pledge to provide **FREE, HIGH QUALITY** health insurance to all of our members. This plan delivers that and more.

Why can't employers contribute more so that we can keep the same level of benefits?

Cost pressures on employers for health care continue to rise. After relatively slow growth in medical cost inflation between 2008 and 2013, national health spending has begun to increase more rapidly, and is projected to continue to rise by more than 5% per year through 2024.

As a result, many employers have adopted high-deductible health plans (HDHPs) and other cost-shifting measures to offset these price increases. In fact, while the insurance is free for freelancers, staff employees could be charged up to 50% of the cost of their insurance, and up to 100% of the costs of dependents.

Also, we've found that for some participants, their gross annual income is not the same as their PHBP-reported income, meaning a significant amount of work is being performed with non-participating employers. Participating employers have contributed over *\$100 million over the life of this program* to provide the freelancer with free, high-quality health insurance. Non-participants have put in zero. It's unreasonable to expect that those companies that are providing this life-changing benefit should also be expected to cover the costs of companies that have chosen *not* to offer the same level of support to you and the rest of our freelance workforce.

Why did you decide to base coverage on earnings instead of offering the same plan for everyone in the industry?

Unfortunately, rising premiums, soaring deductibles and increased out of pocket costs have forced many employer-funded group plans to cut benefits and pass along increased costs to plan members. Our plan allows us to deliver on our promise to provide the highest quality coverage for our freelance workforce at the same cost as always. Which is absolutely free.

But free to the freelancer is expensive to the Plan, particularly after a decade of annual premium increases that coincided with benefit increases in the form of added coverage for dental and vision; short term and long term disability (a vital protection for freelance workers with no sick-leave, maternity leave or other income protections); heavily subsidized family coverage; and a \$25,000 life insurance, the latter being new for 2019. To better balance the Plan's finances, the income Tier system will be implemented to make the cost of the coverage more commensurate with the contributions received to pay for that coverage.

Finally, we're maintaining as much choice as possible for most California freelancers by allowing plan members who earn between \$75,000 - \$109,999 the opportunity to "buy up" to an Anthem Blue Cross PPO plan if they so choose.

We will continue to provide more information on what these changes mean to you over the coming weeks. Please visit our website at www.phbp.org, or email us at info@phpb.org with your questions.

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