Sherborn
Health Insurance
I believe this was quite nicely covered in Irene Larivee’s presentation May 20, 2015.

There is no question that health care costs are increasing and with the large number of wonderful new (and expensive) drugs entering the market it is going to continue.

The Affordable Care Act (ACA) has not lowered costs for care and with increased numbers of people covered and an abundance of fees, taxes, and compliance regulation, the trends will continue.
People are constantly seeking a “magic bullet” but there isn’t one.

Simple Facts:
- If someone is going to get sick or have an accident, it’s going to occur regardless of which plan they are in.
- There is not a great deal of difference in discounts from providers among all the major carriers.
- There is some regional impact on costs. Massachusetts, especially Eastern Massachusetts is the highest in the country.
The large claims aren’t something you have a great deal of control over. These are probably going to cost pretty much the same regardless of which carrier you have.
So….How do you control the costs of health care? You need to try to affect change in the large number of smaller, everyday claims which drive a large part of the costs.
You can help reduce costs by encouraging your participants to make good choices when seeking care. Co-pays and deductibles which can be tiered, encourage your employees and their dependents to use local, less expensive providers.
Wellness programs, incentives to become fit, stop smoking etc.
• Self-funding – most cost effective for a larger group, but there is some increased risk.

• Not really an option for Sherborn given your size – should be at least 300-500 enrollees.
Most expensive but most predictable. At your size you would fall into the “community rated” vs. “experienced rated” category. You would be lumped together with all the other smaller employers. Since the carrier holds all the risk, they charge a “premium” for that risk assumption.
A blend of these two where you join other employers and purchase coverage as a larger group. You gain some of the benefits of both size and self-funding and limit your risk as part of the larger group.

Your current participation in West Suburban Health Group participation is such a group. WSHG is the original Municipal Joint Purchase Group. The problem is that most of the participating communities are close to Boston where the most expensive care is located. Also the group is being a bit fractured with communities leaving.
GIC

GIC is a very large group with about 1/3 of their population in Central and Western Massachusetts, where costs are a bit lower.

Cost can be lower, but you are at the mercy of decisions made by the Commission in both plan design and rates.

The GIC has been running a deficit which will need to be corrected through plan design and rates going forward.
Massachusetts Interlocal Insurance Association

Established by the Massachusetts Municipal Association for groups like Sherborn. You get the benefits of a larger self-funded group but limited to just Blue Cross Blue Shield products and central rate development.
Other Joint Purchase Groups such as:

Minuteman Nashoba Health Group
Hampshire County
Mayflower Municipal Health Group
Cape Cod Municipal Health Group
Berkshire County Purchasing Group

All have advantages and disadvantages but these are not magic solutions, no more than West Suburban Health Group.
What are Sherborn’s Options?

- **Remain with WSHG and adopt the Benchmark (GIC-like benefits)**

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<th>Estimated 2016 Savings</th>
<th>Town</th>
<th>Employees</th>
<th>Total</th>
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<td>$42,477</td>
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- **Move to the new Benchmark (7/1/15 GIC-like plans)**

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What are Sherborn’s Options? (cont’d)

Move to the GIC

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Consider: MIIA

- Minuteman Nashoba Health Group
- Hampshire County Health Group (out of area)

These would require gathering Sherborn’s actual experience and requesting quotes from each group. With the exception of MIIA, there would be a buy-in expense.
What are Sherborn’s Options (cont’d)

- Request premium quotes directly from carriers (BCBS, HPHC, Tufts and Fallon)
The Board of Selectmen should strongly consider accepting Sections 21-23 of M.G.L. Chapter 32B.

Since the early 2000’s the State has been quite critical of individual communities’ health benefits costs. They repeatedly pointed to plan designs when compared to the State GIC plans. What they failed to do was to give municipal entities the same tools that they had to modify plan design.

Starting in the early 2000’s, bills were introduced to permit municipal management more flexibility in negotiating plan design change.

For seven years in a row the legislation died in committee.
In Chapter 69 of the Acts of 2011 change came about by amending M.G.L. Chapter 32B by adding Sections 21-23. These sections, once accepted by the Board, would permit modifying your plans’ designs to match as closely as possible the design of the State GIC Benchmark plan, currently Tufts Navigator, (Section 22) or to directly join the GIC (Section 23).

There are very specific rules to which you must adhere before voting on these sections, such as at least a two day advance notice to each collective bargaining unit.

If accepted, these sections do not obligate you to make any change but do permit negotiations directly with a Public Employee Committee (PEC) rather than the cumbersome 150e approach with each CBU.

Many communities have accepted these sections, entered into formal discussions and reached compromise agreements.
Health Benefits are extremely important to your employees and retirees, so nothing should change casually.

The State mandates that you offer coverage and limits municipal management’s flexibility.

The Affordable Care Act has added expense (Dependents to age 26, PCORI, Transitional Reinsurance fees) and work (Fair Share tracking and detailed reporting, starting in January 2016).

People are living longer so retiree groups continue to expand putting pressure on budgets.

Looking into all your options with your employees and retirees through the Insurance Advisory Committee is your best approach to controlling costs.
Questions