



Health Insurance Overview

May 20, 2015



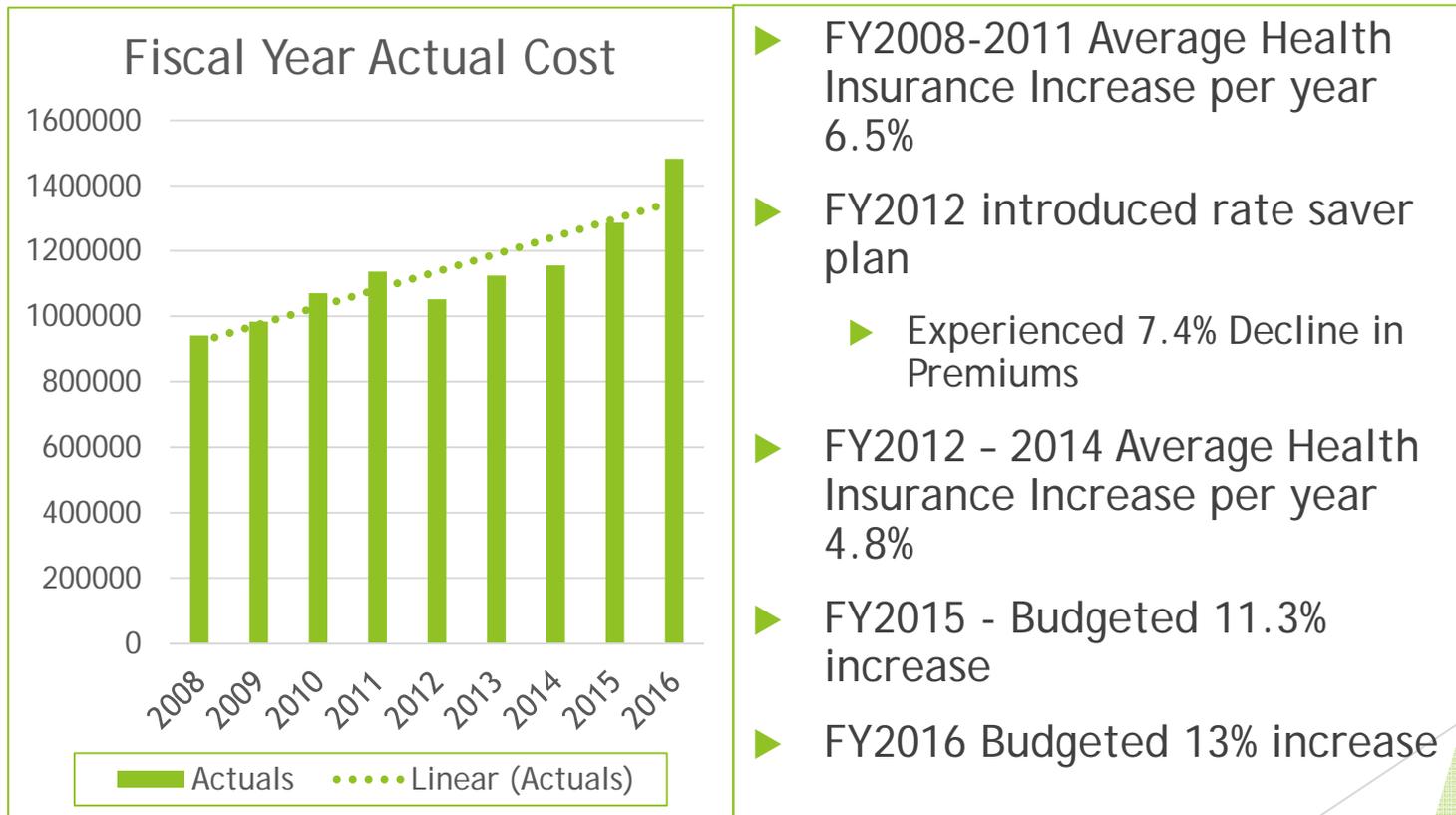
National Health Insurance Trends

- ▶ Health care benefit programs affected by aging population
- ▶ Elderly generally require more health care than working age population
- ▶ Between 1982 - 2010, price level of medical services and commodities rose 304.4%
- ▶ 2009 Health Expenditures reached 17.6% of the US Gross Domestic Product
- ▶ Between 1948 - 2009 employer spending for health insurance (excluding Medicare) increased an average of 12.6% per year
- ▶ Employers are taking steps to slow the growth of health care costs
 - ▶ Increase percentage employee contributes for health insurance premiums
 - ▶ Pay a larger portion of health costs out of pocket

*Source: Employee Benefit Research Institute: <http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2001.pdf>



Town of Sherborn Historical Health Insurance Trends





Options Under Review

- ▶ West Suburban Health Group
- ▶ Government Insurance Commission (GIC)
- ▶ Fully Insured
- ▶ Self Insured



West Suburban Health Group

- ▶ Town of Sherborn Current Provider
- ▶ Municipal Joint Purchase Group organized under MGL Chapter 32B, Section 12
- ▶ Seventeen participating governmental employers
 - ▶ Four units withdrawing on July 1, 2015
- ▶ Governed by a Board made up of a representative of each participating governmental unit
- ▶ FY2015 - 6,234 people covered by WSHG
- ▶ FY2016 Rate Increases 8.6% - 14.1%
 - ▶ Dependent on which plan a member is enrolled in



Government Insurance Commission (GIC)*

- ▶ State Employees and Approximately 60 Municipalities, Regional School Districts and other entities
- ▶ FY2015 - 235,000 enrollees and over 420,000 people covered by GIC
- ▶ FY2016 Point of Service (POS) Plans
 - ▶ Primary Care Physician
 - ▶ Requires referrals
- ▶ FY2016 Rate Increases 5-10%
 - ▶ Dependent on which plan a member is enrolled in
- ▶ Municipal Contribution Rates Vary
 - ▶ Average 75% Town, 25% Employee

*Source: Massachusetts Municipal Association; <http://www.mma.org/labor-and-personnel/14542-state-s-group-insurance-commission-makes-sweeping-plan-design-changes-raises-rates>
Mass.gov; <http://www.mass.gov/anf/employee-insurance-and-retirement-benefits/oversight-agencies/gic/>



Fully Insured

- ▶ Regulated under applicable State Laws
- ▶ Employer pays a per-employee premium to an insurance company
- ▶ Insurance company assumes the risk of providing health coverage for insured events
- ▶ Plan designed by the insurance company
- ▶ FY2016 Rate varies by plan design and utilization rates



Self Insured

- ▶ Regulated under Federal Law (ERISA)
- ▶ Subject to Procurement Laws (MGL Chapter 30b)
- ▶ Contract with a third party provider to administer the plan
- ▶ Employer keeps the premium and pays the actual cost of claims
 - ▶ Ability to design plan to meet the town and schools health care needs
- ▶ Employer assumes a large amount of risk
 - ▶ Stop Loss Policy highly recommended to pay for losses above a specified amount
- ▶ FY2016 Rate varies by plan design and utilization rates



Next Steps

- ▶ June - December 2015
 - ▶ Evaluate health insurance coverage options in detail with Health Insurance Consultant
 - ▶ Determine approximate savings that may be realized in the first 12 months of implementation of plan design
 - ▶ Recommend course of action
 - ▶ If changing Health Insurance Benefits
 - ▶ Recommend Board of Selectmen Accept MGL Chapter 32B, Sections 21-23