Town of Sherborn
Insurance Advisory Committee
Meeting Minutes for Thursday, December 10, 2015

1. Meeting Called to Order: In absence of an appointed Chair, Vice-Chair, and Irene Larivee the Finance Director called the meeting to order at 6:03PM. Attendees included: Judy Carnes, Karen Gallant, Peter Gimblett, James Graziano, Walter Thornton, Tony Abril, and Lisa Lynch. Committee Members Absent included Terry Malvesti, Rachel Correia, and George Smith. Staff Support included: Irene Larivee, Finance Director and Debbie Reynolds, Payroll Administrator.

2. Public Comment: None.

3. Election of Chair, Vice-Chair, and Secretary for purposes of taking minutes. James Graziano was elected Chair and Peter Gimblett was elected Vice-Chair. The election of the Secretary was postponed until the next meeting.

4. Presentation from Peter Savage from Cook & Company. Ms. Larivee introduced Peter Savage to the Committee and explained he is a Health Insurance Consultant that doesn't have an affiliation with any Health Insurance providers. He is a great source to discuss the Health Insurance Industry from a National, State, and Local level.

   Mr. Savage provided the committee with an understanding of their roles and responsibilities under Massachusetts General Law 32B, Section 3. The Insurance Advisory Committee (IAC) can vote a recommendation that is subsequently sent to the Town (Board of Selectmen) for consideration. The Town would have 30 days to respond to the IAC's recommendation. The IAC's recommendation isn't weighted like a Public Employee Committee, but rather by a majority vote. Mr. Savage indicated that there are several things coming down the pipeline within the Health Care Industry that are going to continue to drive costs and put additional pressure on Town and City budgets such as new drugs that are costly. An example was a new drug and/or treatment for Cystic Fibrosis which is at least a $300,000 annual cost. It isn't a cure.

   Questions from the committee and responses from Mr. Savage included the following:

   a. How has the MGL Chapter 32B, Sections 21-23 worked in prior towns? Response: About ½ of the Towns that have adopted the statutes have used them for Health Plan Design Changes and about ¼ of the Towns were able to come to an agreement without the statutes. The statues requires management to provide a proposal to the Insurance Advisory Committee that outlines savings and up to a 25% mitigation plan. There are time limits for each step of the process. Once the IAC receives the proposal, they have 10 days to form a Public Employee Committee (PEC). The retiree is appointed by the State and has a 10% vote. The other votes are weighted. The PEC has 30 days to come to an agreement. If an agreement isn't achieved, then the State forms a panel of one PEC member, one representative of management, and a State mediator. Mr. Savage indicated that he only knows of one town in the hundreds of communities within the Commonwealth that needed to go through the State mediation process.

      Mr. Savage also explained issues within the new laws that would impose a 40% Cadillac Tax on

Towns and Cities that offer a health insurance plan in excess of the benchmark plan. For example: premiums in excess of $850 a month for individuals would have a 40% tax. If the town offers a plan that the premium is $950 a month for an individual, the $100 amount in excess of the $850 limit would be subject to tax, or $40 a month ($100 x 40%). WSHG currently has a Network Blue plan that would be subject to this tax.

b. Is the reason the town is proposing changes due to the Cadillac tax? Response: Ms. Larivee indicated, no. The reason the town is proposing changes is due to WSHG informing towns in the spring that they planned to drop the "rate saver" / HMO plan on July 1, 2016. In September, WSHG voted to extend the rate saver plan for one more year. The Town is looking for options to still provide a HMO plan as well as a deductible plan for employees that don't need a HMO. Ms. Larivee indicated that eventually the Town will need to go with a deductible plan, unless something changes within the laws pertaining to Cadillac tax. The Town would prefer to smooth the transition over the years rather than impose a sharp decline in benefits by switching from rate saver directly to a high deductible plan.

c. Why can't we stay with West Suburban Health Group (WSHG)? Response: Ms. Larivee indicated it is an option. Another option might be to extend the plans that the town offers, however this potential solution still needs to be vetted first by the Board of Selectmen.

d. What is the key difference between WSHG and MIIA? Response: Mr. Savage indicated that WSHG hasn't done a bad job. It was one of the first joint purchasing groups. Instead of imposing high premiums in prior years, it was able to use some of their reserves to try to stabilize the health insurance rate increases. Now it catching up to them and they are experiencing double digit premium increases.

   MIIA is statewide and has more subscribers. The communities in the western portion of the state and along the state borders are less likely to use Boston hospitals, so they are able to offer lower premiums. The plans are also designed for each town.

e. What is the difference between a PPO, HMO, and Benchmark plan? Mr. Savage responded that a PPO in network is the same as an HMO. If you are in the PPO plan, a primary care physician isn't required. If you live or have covered family members outside of the network, they would be covered by a PPO.

   In an HMO, a primary care physician is required. Often times, referrals to use specialists are required. Emergency services are covered without a referral.

   Benchmark plans mirror the States benefit plans. It has an upfront deductible. For certain services, you may need to spend up to the deductible requirement, then co-pays are applied thereafter. With Benchmark plans, it is a good practice to budget for the deductible on a personal level. This way you plan for an emergency instead of spending more on PPO and HMO premiums. Often times, the hospital plans are tiered so the deductible is higher for the more expensive hospitals such as Mass General or Dana Farber. One of the best hospitals for orthopedic care is the Baptist. It isn't considered the most expensive, so a lower deductible would be paid.

f. The primary focus has been on savings between the various plans. What about the co-pays? Response: Ms. Larivee indicated the MIIA HMO plans that are being offered are an "apples to apples" comparison with our current WSHG plans. The co-pays are the same, the plan is the

same, and there is a savings in premiums for both the employee and the town.

g. If we go with a deductible plan, then are we basically shopping for premiums and plans? Mr. Savage explained there isn't a "magic bullet". Look at the level of benefits being provided and pricing for those benefits. It is really that simple. WSHG has a limited number of towns participating in and around the 128 corridor. Because WSHG is closest to Boston it's getting pinched because it is more expensive for health related services. MIIA is bigger than WSHG; spread out more across the state, and services in less expensive areas offset higher costs within Boston communities. MIIA was originally designed for towns with 150 or less employees that couldn't afford to self-fund there insurance. GIC has approximately 500,000 subscribers of which 2/3 are around Boston. The other 1/3 helps offset the Boston based costs.

h. Does MIIA charge more for Boston hospitals? Response: Mr. Savage indicated it depends on the plan.

i. If we stay with WSHG, do you foresee more towns / cities will join WSHG? Response: Mr. Savage indicated it will most likely experience the opposite. People are going to larger purchasing groups whereas WSHG is small.

j. If we choose GIC, are we locked in for three years? Response: Ms. Larivee indicated yes, the Town would be locked in for three years.

k. It seems that the only issue is that MIIA only offers Blue Cross Blue Shield whereas WSHG offers up to four providers. Response: Mr. Savage stated that because MIIA only offers Blue Cross Blue Shield, they have leverage with them. Eastern Massachusetts has some of the best providers so they are pretty much covered by a majority of the Doctors and Hospitals so you may not have to change Doctors if you switch plans.

l. One of our main concerns is quality of care. How do the plans vary? Response: Mr. Savage indicated the quality of care is pretty much the same across the providers within Eastern Massachusetts.

m. If you were in our position, what would you advise the Town to choose? Response: Mr. Savage indicated that there is no problem with either WSHG or MIIA. He has a sense that WSHG is getting squeezed by larger joint purchasing groups. The quality of the plans seems good with both WSHG and MIIA.

n. With the MGL Chapter 32B, Section 21-23 statutes, what can we bring up in negotiations? Response: The Town would come to the IAC first. The IAC can pre-empt the town by making a recommendation first. Eventually all towns and cities will need to go to a benchmark plan or face tax penalties.

o. If we choose to wait a year before making any changes, what is the likely hood of a new provider being available? Mr. Savage responded that he doesn't see anyone else in the marketplace in the near future. United Health, one of the largest providers has tried to enter the New England marketplace but hasn't made an in roads for the past few years.

   IAC Comment: It just seems like all roads are leading to MIIA.

p. How do you know the savings between WSHG and MIIA if WSHG hasn't published rates? Response: Ms. Larivee indicated that we know that we have experienced double digit increases

in premiums over the past few years. FY2016's experience was 13% and we don't anticipate it will be less for FY2017. It may even be higher than 13% depending on the number of towns that are participating in WSHG for FY2017. The rates will most likely be published after March 1, 2016 once WSHG knows which towns are committed to the group for another fiscal year. MIIA has locked in rates for FY2017.

Debbie Reynolds, the Payroll Administrator informed the IAC that Natick and Wellesley are still participating in WSHG; however they are only offering Fallon. At the last WSHG Board Meeting, Natick, Wellesley, and Shrewsbury committed to stay with WSHG to the end.

Mr. Graziano indicated that it doesn't appear anyone on the committee is interested in GIC. The committee agreed. Mr. Graziano made a motion to no longer consider GIC as an option. Mr. Gimblett seconded the motion and all the voting committee members were unanimous.

5. Discuss Next Steps.

6. Set Next Meeting Date. The next meeting date was set for Wednesday, January 6, 2016. The Topics of discussion requested included a continuation of WSHG and MIIA Health Insurance Plans

7. Adjourned at 8:17PM