FINANCE COMMITTEE

PUBLIC MEETING
Judge Welsh Room, Town Hall
Provincetown MA

TUESDAY, NOVEMBER 13, 2018

Members Present: Scott Valentino (SV) Vice-Chair; Mark Bjorstrom (MB); Kathleen Goodwin (KG); Chip Cappelli (CC).

Absent: Mark Hatch, Chairman; Mark Del Franco; Duane Steele; Stan Sirkorski.

Others Present: Susan H. Shillue, President, Cook & Company Insurance Services, Inc.; Jill Gallant-Shaw, Vice President, Cook & Company Insurances Services.

Staff: David Panagore (DP), Town Manager; Josee Young (JY), Finance Director; Jody Hoffman (JH), Finance.

SV opened the meeting at 2:00pm and introduced the guest presenters.

JY announced the meeting as an opportunity to gather information on alternatives to the Town's insurance plan in light of increased costs. Susan Shillue introduced Cook & Co. as an insurance consulting firm which is based out of Marshfield, Mass and of which she has been a part for 32 years.

<u>Overview</u>

Ms. Shillue reported the following:

Provincetown receives its insurance through the Cape Cod Municipal Health Group which is a joint purchase arrangement known as a JPA – a consortium of entities that band together to obtain their health insurance; said there are over 50 municipal entities in the Cape Cod group such as districts, towns, schools and others; plans are offered through Blue Cross/Blue Shield and Harvard Pilgrim at different levels of benefits with every participating community getting the same rate. Every year, prior to the July anniversary date or open enrolment, the rates are set for the following fiscal year based on the group as a whole and prior claims experience, even as each town or district may have different contribution ratios based on their negotiations with its employees.

Provincetown has 183 subscribers on active plans which includes active employees and their dependents and possibly others who retire under age 65; and 160 subscribers on Medicare Plans. Town's analysis review was begun by Cook & Co. last January and initially developed a loss-ratio analysis to determine how the Town's claims fit into the group. Ms. Shillue said typically 87 cents on the dollar goes to pay for claims while the remaining 13 cents goes toward risk, reserves and administrative costs and the Town's claims number had first come in at 85 which she said, was relatively healthy. But, when individual claims that reach over $150,000 were pulled out of the equation, owing that these claims are usually covered by the 'at risk' component, or the 13-cent cost category, Town's number was brought down to 74%.

However, one plan the Town has called Master Health Plus which offers the highest utilizers and only has seven people included in it, could skew the results less favorably.

Options

Ms. Shillue said one option would be to keep the status quo by remaining in the Cape Cod Municipal Health Group; said there was talk last year at this time of a 12% increase which actually came in as 6%.

Another option is a new plan offering that is a high deductible; currently the Town's plan has a $300 deductible for individual or family which is referred to as the benchmark plan. This new plan's deductible is $2,000 for individual or $4,000 per family, which brings down the monthly rate and is a trade-off. High deductible plans also have a component wherein the Town contributes 50% of the deductible or 1k per individual or 2k per family through a Health Savings Account or HSA. Ms. Shillue said they looked at the premium cost analysis; and that people would have the choice to opt for the high deductible or benchmark plan.

Prescription Meds

DP said one of his concerns regarded the pharmaceutical costs; asked Ms. Shillue to go through cost analysis as they pertain to cash out the door differences at the end of 12 months.

Ms. Shillue used a ballpark example in that if an individual went to the high deductible plan, premiums would go down by about $50 a month and that they would encourage people to take their savings in premium costs and deposit that money into the HSA, but that depending on when the Town contributed its share, or $1,000 of the deductible, this individual may not have saved up enough into the HSA to meet the costs they may have incurred; said that pharmaceutical costs may be included so that if one has a $600 drug then one would be required to incur that drug's costs until the 2k is met and would then be obligated only for the co-pays.

GIC and MIA

Next option offered up was to eliminate benchmarks currently offered and only offer the high deductible plan which, Ms. Shillue said, is trickier to negotiate; referenced a portion of the statute 32b, sections 21 through 23 which allows the Town to negotiate up to the benefit level of the Group Insurance Commission (GIC), and said that this plan has the greatest enrollment - currently the Tufts Navigator Plan; said that the current benchmark plan offered by the Cape Cod Municipal Health Group is the second version of the GIC benchmark plan with a $300 deductible, while the third version has a $500 deductible or 1k per person. One can negotiate up to that benefit level after going through a process, however, a high deductible plan is outside sections 21 through 23 and would involve individual bargaining.

Ms. Shillue said the fourth option is going into GIC, and that under sections 21 & 23 there are found specific requirements to go into those plans. The fifth option is the Massachusetts Inter-local Association (MIA); the insurance arm of the Mass Municipal Association which is also a join purchase group and has over 100 municipal employers participating, but therein each municipality is rated on its own terms.

MIA will set a rate-range which may set the bar between a 2% and 12% increase; currently MIA is declining to give any of the Cape Cod Municipal Health Group participating communities a rate quote.

MB asked why, and Ms. Shillue replied she thought that, to a degree, they have to protect the integrity of the other JPAs in the case that, for example, Cape Cod Municipal group disbanded, whereupon MIA would not be able to absorb the entire group so they might be hesitant to pick off the good risk; suggested MIA is evaluating this scenario on an ongoing basis and said she has approached them twice for a quote, can try again.

DP asked how the plan offering with MIA stacks up to the other benchmark plans. Ms. Shillue responded that MIA has flexibility on the benefit offerings; said probably the majority offer the benchmark-2 plan and only products through Blue Cross/Blue Shield; said the reason she felt MIA might be a good option is because the Town is a relatively small employer, number of plans is small and it's risky for the Town to try to get insurance on its own, as a carrier could come in with an attractive offer initially but the division of insurance prevents them from giving a multi-year rate guarantee or a cap in subsequent years and the Town could see the rates go through the roof the following year because they bought the business; one or two small claims spread over 183 people could carry a lot of risk, i.e., too much potential for fluctuation. In comparison, with MIA there is protection with the rate range and also high claims over 75k are extracted and then reapportioned back to the accounts, although it can go either way in that if the Town has small claims, its rate could be subsidizing other groups who come in higher.

Mayflower Health Group, and Others

Ms. Shillue said other options are the Mayflower Municipal Health Group, which is predominantly in Plymouth County, Gateway Health Group, and others; referenced a comparison as shown in the packet which demonstrates rates higher than expressed in Cape Cod Municipal Health Group when potential buy-in fees are factored; also noted the Town has a three-tier rating structure: individual, individual plus one, and family.

MB asked if the buy-in fee is per participant. Ms. Shillue said that while it's not set in stone it will typically be a buy-in fee per member with a fee as high as half a million dollars; the reason being that there are a lot of municipalities which have been in the Trust for a long-time and have built up a surplus and don't want a new member coming in and taking advantage of that surplus; said she felt the direction of the conversation should be the Town's objectives.

Staff & FINCOM Perspectives

JY spoke of the objective as examining the best option for the Town which seems to be to stay with the Cape Cod Municipal Health Plan but to add a high deductible to the offering; being sensitive to the high potential out-of-pocket, she said there is a suggestion for the Town to cover 150% of the employee's deductible for the first year of the plan, which would be front-loaded and would pretty much break even.

DP said that there would be an incentive to voluntary move over to the high deductible plan and that it might be prudent to start working it in incrementally to demonstrate its effectiveness; said all options should be preserved now and future conversations held.

MB said it appeared the MIA option was not practical and Ms. Shillue said it was probably not an option for next July. MB asked for a time-line and DP said the FINCOM was the first stop and that the Board of Select would be reviewing the materials next; said any agreement signed by the Town with the unions would go back to the Board for review and approval. MB asked if there is any employee-focus group discussion planned. DP said not as yet, that the Town had gone first to the FINCOM.

JH said he attends monthly meetings with Cape Cod Health Group member and the experience and growth have both been healthy; reported that there was low enrolment with the high deductible at first but that then people tended to move toward that plan. MB said that it was his past experience in banking that employees were initially reluctant to put money into an HSA. JY said Ms. Shillue's help with outreach has been proposed if the new plan is to move forward, to which Ms. Shillue concurred.

SV asked what happens to an employee's HSA at the end of a fiscal year and Ms. Shillue said it rolls over, unlike a Flexible Spending Account (FSA), which is strictly funded by the employee.

Stipend Incentive

JY spoke of a second recommendation which would be a stipend plan wherein a stipend of 25% of the cost savings is allocated for when an employee opts out of the Town's insurance plan for another option of their choice and can show proof of coverage. SV gave an example of a Town employee opting to get onto his or her partner's plan at their work place and the Town contributing 25% of that cost differential.

MB said the FINCOM would discuss these options at its next meeting once they have their full board assembled. SV and the Committee thanked Ms. Shillue and Ms. Gallant-Shaw for a well-prepared and comprehensive presentation.

MB adjourned the meeting at 2:45pm.

Respectfully Submitted,
Jody O'Neil