

KELLIHER

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Richard J. Kelliher, Town Administrator

RE: Group Health

DATE: October 3, 2008

Earlier this year the Town and Public Employee Committee (PEC) began to explore long-term group health options through the coalition bargaining process. We collaborated on the selection of an advisor to assist with this effort – Longfellow Benefits. The Town and the PEC agreed to have Longfellow issue an RFP across the spectrum of group health providers available to the Town – from the insurance companies to the large purchasing groups, including the GIC.

The RFP was issued in June with responses received in August. Together, Town staff and the PEC reviewed the proposals and conducted extensive interviews with five respondents between August 26th and September 9th. Attached are summary materials prepared by Longfellow Benefits for the proposals. The estimated rate changes for actives on July 1, 2009 over the existing rates for the current 2009 plan year are:

<u>% Rate Change Actives</u>		<u>Premium Change Actives (75%/25%)</u>	
Tufts	+11.36%	\$2,741,405	
BCBS	+ 6.50%	\$1,568,149	} 4,150,718
HPHC	+ 4.00%	\$ 965,015	
WSHG	+ 2.45%	\$ 589,997	
GIC	-10.70%	- \$2,582,569	

When you examine the attached spreadsheets you will see that the GIC savings, as compared to the projected BCBS figures, are even greater than estimated by the Override Study Committee – potentially \$4 million with about \$3 million accruing to the town and \$ 1 million to the employees. The last sheet “GIC Cost Summary – Actives/Pre 65” illustrates that the projected \$ 1million in reduced employee withholdings could fully offset increased out-of-pocket costs resulting from a switch to GIC for our employees as a group.

From the Town's perspective the GIC is clearly the preferred option. Not only are the first year's savings considerable, but the GIC offers a wide range of plans, far beyond what the Town currently has available for its employees. A great deal of the uncertainty for both town finances and family budgets can be lessened by the demonstrated stability of GIC pricing of single digit increases on average over the last five years. While we are acutely aware that the GIC plan design involves more co-pay obligations than currently required, the employees' share of the projected premium savings will most likely offset total employee costs in this regard. (It is estimated that the first year reduction in withholdings for our current employees on Blue Choice who choose the GIC Harvard PPO option could be about \$1,400) Long term savings of this magnitude would also have a significantly favorable effect on the Town's unfunded retiree group health obligations.

However, there is the statutory deadline of October 1ST for notifying the GIC of an agreement to join effective July 1st of the next plan year. On September 11th, with Board authorization, we submitted a proposal to the Public Employee Committee to join the GIC. The PEC did not accept the Town's proposal.

Throughout the state it appears that once again this year very few localities are joining the GIC. After two annual notification cycles only three cities, seven towns, and five regional school districts and few other entities have joined. I anticipate that this could bring into question whether the expectations of the Municipal Partnership Act adopted last year are being met to any appreciable degree.

Across the full range of proposals received by the Town several noteworthy factors have emerged:

- BCBS is proposing its first single digit rate increase in years
- HPHC and West Suburban Health Group provided numbers even more competitive than BCBS
- The savings from GIC surpass even the favorable single digit increases of the others.
- The Massachusetts Interlocal Insurance Association (MIIA) declined to submit a proposal
- Retiree rates are also expected to increase less than 10%.

From the above it appears that the presence of the GIC in the municipal market is putting downward pressure on costs for local government. While this is encouraging for the near term no one involved in our extensive RFP process has expressed the opinion that this is a long term trend. It appears that only the GIC or an equivalent alternative can begin to meet the financial sustainability objections laid out by the Override Study Committee.

Town of Brookline
 Medical Plan Proposals - Fully Insured Options - Projected
 Pro Forma - July 1, 2009

8/19/2008

Description	Enrollment			Blue Cross Blue Shield Current			Blue Cross Blue Shield Projected			Aetna Proposal			Harvard Pilgrim Health Care Proposal			United HealthCare Proposal		
	HMO	POS	PPO	HMO Blue	Blue Choice	Blue Care Elect	HMO Blue	Blue Choice	Blue Care Elect	HMO	POS	PPO	HMO	POS	PPO	HMO	POS	PPO
Employee Only	584	380	30	\$594,86	\$636,61	\$636,61	\$633,53	\$677,99	\$677,99	\$684,80	\$783,49	\$783,49	\$618,65	\$662,07	\$662,07	\$662,46	\$708,95	\$708,95
Family	800	340	22	\$1,596,37	\$1,703,28	\$1,703,28	\$1,700,13	\$1,813,99	\$1,813,99	\$1,837,46	\$2,102,80	\$2,102,80	\$1,680,22	\$1,771,41	\$1,771,41	\$1,777,77	\$1,896,82	\$1,896,82
Change By Product - FAM							6.50%	6.50%	6.50%	15.09%	23.07%	23.07%	4.00%	4.00%	4.00%	-11.36%	11.36%	11.36%
Monthly Costs Combined				\$2,010,449	\$2,141,128	\$2,141,128	\$2,141,128	\$2,241,128	\$2,241,128	\$2,385,361	\$2,090,896	\$2,090,896	\$2,236,899	\$2,090,896	\$2,090,896	\$2,236,899	\$2,090,896	\$2,090,896
Annual Costs Combined				\$24,125,382	\$25,693,532	\$25,693,532	\$25,693,532	\$28,824,332	\$28,824,332	\$28,824,332	\$26,866,788	\$26,866,788	\$26,866,788	\$26,866,788	\$26,866,788	\$26,866,788	\$26,866,788	\$26,866,788
Town Cost (75%)				\$18,094,037	\$18,270,149	\$18,270,149	\$18,270,149	\$21,488,249	\$21,488,249	\$21,488,249	\$18,817,798	\$18,817,798	\$18,817,798	\$18,817,798	\$18,817,798	\$18,817,798	\$18,817,798	\$18,817,798
Employee Cost (25%)				\$6,031,346	\$6,423,383	\$6,423,383	\$6,423,383	\$7,136,083	\$7,136,083	\$7,136,083	\$8,006,534	\$8,006,534	\$8,006,534	\$8,006,534	\$8,006,534	\$8,006,534	\$8,006,534	\$8,006,534
Change from Current																		
Town Cost																		
Dollar					\$1,178,112	\$1,178,112	\$1,178,112	\$1,178,112	\$1,178,112	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212	\$3,374,212
Percentage					6.50%	6.50%	6.50%	6.50%	6.50%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%
Employee Cost																		
Dollar					\$392,037	\$392,037	\$392,037	\$392,037	\$392,037	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737	\$1,124,737
Percentage					6.50%	6.50%	6.50%	6.50%	6.50%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%	18.65%

Notes:
 Aetna Inpatient maternity coverage is not subject to \$250 co-payment.
 Aetna fully insured proposal does not include HIPAA certificates included in pricing.
 Enrollment includes all active employees and non-Medicare eligible retirees.
 BCBS Projected Costs are 2008 costs projected to 7/1/09 with a 6.5% increase for each product.
 Other proposals trended 4% to 7/1/09

Town of Brookline
 Medical Plan Proposals - Purchasing Group Options - Projected
 Pro Forma - July 1, 2009

8/19/2008

	Enrollment			Blue Cross Blue Shield Current - 2008			Blue Cross Blue Shield Projected - 2009			GIC Projected - 2009			WSHG Projected - 2009		
	HMO	POS	PPO	HMO Blue	Blue Choice	Blue Care Elect	HMO Blue	Blue Choice	Blue Care Elect	Unicare PPO	HPHC PPO	Unicare Indemnity	BCBS EPO	HPHC EPO	HPHC PPO
Employee Only	584	380	30	\$594.86	\$636.61	\$636.61	\$633.53	\$677.99	\$677.99	\$563.85	\$554.93	\$813.96	\$636.40	\$591.15	\$1,178.10
Family	500	340	22	\$1,596.37	\$1,703.28	\$1,703.28	\$1,700.13	\$1,813.99	\$1,813.99	\$1,345.61	\$1,342.69	\$1,900.31	\$1,714.65	\$1,540.35	\$2,617.65
Change By Product - IND										-11.00%	-18.15%	20.06%	0.77%	-12.81%	73.76%
Change By Product - FAM										-20.85%	-25.96%	4.76%	0.85%	-15.09%	44.30%
Monthly Costs Combined Annual Costs Combined				\$2,010,449	\$24,125,382	\$24,125,382	\$2,141,128	\$25,693,532	\$25,693,532	\$1,795,234	\$21,542,812	\$21,542,812	\$2,069,615	\$24,715,379	\$24,715,379
Town Cost (75%)				\$18,094,037	\$18,094,037	\$18,094,037	\$19,270,149	\$19,270,149	\$19,270,149	\$16,157,109	\$16,157,109	\$16,157,109	\$18,536,534	\$18,536,534	\$18,536,534
Employee Cost (25%)				\$6,031,346	\$6,031,346	\$6,031,346	\$6,423,383	\$6,423,383	\$6,423,383	\$5,385,703	\$5,385,703	\$5,385,703	\$6,178,845	\$6,178,845	\$6,178,845
Change from Current															
Town Cost Dollar Percentage							\$1,176,112	6.50%		(\$1,936,927)	(10.70%)		\$442,488	2.45%	
Employee Cost Dollar Percentage							\$392,037	6.50%		(\$645,842)	(10.70%)		\$147,499	2.45%	

Notes:
 BCBS Projected Costs are 2008 costs projected to 7/1/09 with a 6.5% increase for each product.
 GIC Proposed Costs are 7/1/08 rates projected to 7/1/09 with a 8.06% increase for each product.
 WSHG Proposed Costs are 7/1/08 rates projected to 7/1/09 with a 5% increase for each product.
 Enrollment includes all active employees and non-Medicare eligible retirees.
 WSHG is a Self-Insured Product and Initial Year rates could be subject to a surcharge.

10% Migration Assumed into the Indemnity Plan

Town of Brookline
 Medical Plan Proposals - Purchasing Group Options - Projected
 Pro Forma - July 1, 2009

8/19/2008

FR *87%* *etc*

Town Employees	\$19,420,149	\$16,157,109	(\$3,263,040)
	\$6,423,383	\$5,385,703	(\$1,037,680)
Total	\$25,843,532	\$21,542,812	(\$4,300,719) (16.64%)
Employee Impact			
Employee Contribution Savings			(\$1,037,680)
Plan Design Adjustments (4.4%)			\$957,855
Net Employee Impact			(\$79,824)

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Notes:
 Town and Employee Split Projected at 75%/25%
 BCBS Projected Town Cost includes \$150,000 for funding the HRA plan
 10% Migration Assumed into the Indemnity Plan