

# Memo

**To:** Board of Selectmen  
**From:** Town Administrator Shaun Mulholland  
**Date:** August 4, 2014  
**Re:** SVRTA Health Insurance Study Recommendations

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The Suncook Valley Regional Towns Association working with the Allenstown Employee Benefits Study Committee completed the 2014 Health Insurance Study. The report was accepted by the SVRTA at their meeting on July 31<sup>st</sup>, 2014. The report made a number of recommendations for the seven communities to consider in the implementation of their 2015 health insurance plans that they offer their employees.

The recommendations would apply to Allenstown in the following fashion should the Board of Selectmen adopt the recommendations.

1. The Town presently only offers one health insurance plan type. The present health plan is a Point of Service Plan (POS). The POS plan is the most expensive health insurance plan. The committee recommends offering a range of plans. Most of the other communities in the SVRTA and within Health Trust have already transitioned to HMO plans. The committee recommends transitioning employees to an HMO plan (MTB20) plan as it is a lower cost plan and still provides quality coverage.
2. Set a cap as to how much the Town will pay for a health insurance plan. The Town presently pays 80% of the insurance premiums while the employee pays 20%. The Town could set a cap equivalent to the dollar value of 80% of the HMO MTB20 plan adjusted annually. If employees chose to keep the present POS plan that same dollar amount would be equivalent to 65% of the cost of the premium with the employee paying the other 35%. Conversely if the employee chose one of the HMO plans with a deductible they would still get the same dollar value towards the cost of the premium.
3. Offer Flexible Spending Accounts to employees. These tax sheltered accounts allow employees to make payroll deductions into an FSA to pay for deductibles, copays and other uncovered health care costs. The Town of Epsom has used these for some time.
4. Encourage consumerism programs such as the COMPASS program, which is being tested as a pilot program by Health Trust. Employees receive monetary incentives to shop for lower cost medical providers.
5. Continue to encourage wellness programs to reduce claims by making a healthier workforce. These programs have demonstrated effectiveness and reducing health insurance costs as well as enhancing the quality of life for employees.
6. Excise taxes on health care plans should be passed on to employee for those employees who choose to participate in those higher cost plans. The present POS plan that they Town has will result in the Town paying excise taxes to the federal government. The excise tax provisions of the federal Affordable Care Act (ACA) are scheduled to be imposed in 2018. At the present projected rate of

increase in the cost of the POS plan the Town would be subject to a tax of approximately \$18,000 per year. The HMO plans at their projected premium cost would not be subject to an excise tax.

7. Transition to the lower cost prescription plans. Presently the Town has a (retail 30 day supply) \$3/\$15/\$1 tiered prescription plan. The recommendation would be to switch to a (retail 30 day supply) \$10/\$25/\$40 plan with a mail order plan for a 90 day supply for \$10/\$40/\$70.
8. The committee recommends the permanent establishment of this committee to meet as needed to analyze future changes to the ACA as well as the health insurance market. We will need to adapt to what is likely to be a turbulent period in regards to health insurance and federal/state regulations.

**CHART 1: Cost comparison between present POS Plan and the proposed HMO MTB20 Plan. This includes the total cost of the insurance premium both the employer and employee cost.**

Plan Type	POS Plan	HMO MTB20
Family Plan (9)	\$227,292	\$184,360
2 Person Plan (5)	\$93,536	\$75,868
Single Plan (6)	\$56,122	\$47,062
<b>TOTAL</b>	\$376,950	\$307,291
<b>TOTAL COST SAVINGS</b>		<b>\$69,659</b>
<b>80% (Town portion)</b>		<b>\$55,727</b>

**CHART 2: Monthly cost comparison between both plan types.**

Plan Type	POS Plan	20% Emp. Share	HMO MTB20	20% Emp. Share
Family Plan	\$2,105	\$421	\$1,707	\$341
2 Person Plan	\$1,559	\$312	\$1,265	\$253
Single Plan	\$780	\$156	\$633	\$126

**CHART 3: Cost reduction to employees who transition to the HMO MTB20 Plan from the POS Plan.**

<b>Plan Type</b>	<b>Monthly Reductions</b>	<b>Annual Reductions</b>
Family Plan	\$80	\$960
2 Person Plan	\$59	\$708
Single Plan	\$30	\$360

The three charts depict the comparisons between the POS plan we have at present and the proposed HMO MTB20 plan. The charts show the cost savings that would result from the cost of the plans at their present price points. We will not have the cost of the plans for 2015 until late October or early November.

The Town should consider offering an HMO plan with a deductible as well. The HMO MTB15IPDED plan has a \$500 deductible. Some employees may find this type of plan more attractive. The cost for a single plan would save \$180 (\$144 employer, \$36 for the employee) per year however the copay is lower \$15 instead of \$20 from the MTB20 plan. The deductible could be funded through an FSA. I would suspect that most employees would be more interested in the MTB20 plan as it provides more value while the cost savings for the deductible plan are not appreciable.

If the Board chose to implement the proposed recommendations the decision to do so would have to be made relatively soon. We would need to have Health Trust offer education session to explain the new plan options and assist employees in weighing their options. Employees would need to sign up for the new plans during the first week of December 2014 so that the new plans would take effect on January 1<sup>st</sup>, 2015.