



Legislation Text

File #: 18-0007, **Version:** 1

Summary

To: Finance Board
From: Stefan Massol, Director of Support Services
Date: 3/15/2018

Subject:

Discussion of Health Insurance and Benefits, Health Savings Account

Summary:

The health insurance and benefits provided to general employees will be discussed as well as some new options available for the next fiscal year

Previous Commission Action: N/A

Background/Problem Discussion: See Below

Overview of Current Benefits Offered

The town offers a comprehensive benefits package to its general employees. Several benefits are provided at no cost to the employee, including individual health insurance, life insurance of \$50,000, and a cafeteria Section 125 plan allowance of \$100 per month. The Section 125 plan includes a variety of benefits such as vision/hearing, dental, short and long-term disability, additional life insurance and supplemental health coverage. Employees have the option to pay on a pre-tax basis for Section 125 coverages in excess of the \$100 allowance. Some employees use the \$100 allowance to fund a small portion of the cost of dependent care coverage for their spouse or children.

Historical Cost Changes

The cost of group health trust benefits has increased over the past five years, driven in large part by the rising cost of health insurance. Below is a chart showing the annual percentage cost increase the group health trust benefits as compared to the National Healthcare Trend.

	2017	2016	2015	2014	4-year avg.
National Healthcare Trend	7%	7%	8%	9%	7.75%
Group Health Trust	7%	4.1%	8.3%	6%	6.36%

As the chart shows, the cost of health trust benefits is rising significantly. Fortunately, the Group Health Trust is increasing at a lower rate than the National Healthcare Trend. The rate of increase also fluctuates significantly from year-to-year, but increased at an average annual rate of 6.36% over four years.

Health Plan Participation (Individuals and Dependents)

The majority of employees are participants in the HMO 55 plan which for 2017-18 had a per employee premium cost of \$728.17 per month (paid by the town). The cost to the employee of adding a spouse is

\$990.64/mo. and adding a child is \$622.31/mo. The additional cost for adding family is \$1,405.12/mo. For some employees the cost of adding spouse and dependent coverage has been a significant concern as the cost of health insurance has continued to rise at a rapid pace. This concern will only grow as the cost continues to rise.

Broadening Options for Employees

Last year before renewal the town expanded the health plan options to include everything offered by PRM, with the exception of the Health Savings Account (HSA) plans. There was not enough time last year to implement HSA, however this year we plan to add these as well to give employees all of the PRM options. Beyond allowing employees to select from a broader range of health plans, staff is also considering ways that benefits can be tailored to individual needs. The HSA, by its very nature, is a more flexible health plan that allows participants to select from a larger network of providers for a greater scope of services. The Section 125 cafeteria plan currently promotes this flexibility.

Health Savings Account and High Deductible Health Plan

A Health Savings Account (HSA) insurance option will be made available to employees as an opportunity to contain costs and broaden insurance coverage. In the HSA employees would participate in what is known as a High Deductible Health Plan (HDHP) and for individual plans would be able to make pre-tax contributions of up to \$3,450 each year into their savings account individual coverage. Those funds can be used for any out-of-pocket medical costs incurred throughout the year. The list of costs covered by an HSA is also broader than the HMO, allowing funds to be used towards dental costs, laser corrective eye surgery, orthodontia, and a variety of other procedures. A major benefit to employees with families is that an individual's HSA funds can be used for any health costs for their spouse or children, regardless of whether or not the spouse or children are participants in the plan.

The premium cost for the HDHP is currently \$576.02, which is ~\$150 less per month than the HMO. The annual deductible in the HDHP for in-network procedures is \$2,500, after which point all additional costs would be at no cost to the employee in that year. The town would have the option to offer a contribution to the HSA for each employee to encourage participation. At 2017 rates the town could offer as much as \$1800 each year to be contributed into an employee's HSA, in addition to paying the full premium for the accompanying HDHP and that would be no more costly than the HMO premiums for that same employee in that year. Whatever funds the employee does not use would rollover each year indefinitely.

Inclusion of an HSA also has the potential to slow the rate of cost increases as participating employees would be incentivized to select the most cost effective health treatments.

Implementing a Health Savings Account

To implement an HSA the town would need to select an HSA administrator who would serve as a custodian of funds and manage the health claims of participant employees with their providers. The town would compare proposals from multiple providers and should have a selection in place by the end of April to ensure a smooth implementation by 10/1/18. That would allow a time period of several months for the town to educate employees on the new plan and answer any questions before open enrollment.

Recommendation: This item is for board discussion.