Town of Sanbornton

Health Insurance Study Committee

Final Report and Recommendations

Published October 25, 2019

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Executive Summary

The Health Insurance Study Committee undertook a comprehensive review of the current Town medical insurance coverage and the policy for the use of the Health Reimbursement Arrangement (HRA) for employee health care. The following conclusions were reached:

- Medical Insurance (Line 4155.210) represents a growing portion of the Town's overall spending, up from 7.2% in Fiscal Year 2016 (FY16) to 8.9% in FY19. Budget growth for this Line Item is even greater, having risen from 8.9% to 11.2% over the same period.
- The Town consistently over-budgets for medical costs, especially the HRA portion of budget.
- The current HRA reimbursement policy for out of pocket expenses far exceeds the standard practice in municipal government, and is considered "extremely generous" in the insurance industry.
- The maximum annual cost exposure employees have for medical care is currently $500 for a single and $1,000 for two-person or family coverage.[1] Employees also do not share in the premium cost for medical insurance.
- Lower cost options exist for insurance policies with equal or superior coverage to the Town's current plan.
- Some carriers limit employer contributions to cover out of pocket costs in order to incentivize employees to seek the most economical coverage, such as using designated facilities for laboratory work or diagnostics that provide reduced cost to the employee (in some cases no cost).
- Affordable health care coverage is an important part of the total employee compensation package, and it can have a significant impact on the ability of the Town to attract and retain employees.

Based on the Committee's study, the following summary recommendations are made:

- Switch the Town health care insurance to the Access Blue New England HMO AB 25 (Prescription Option 2) offered by HealthTrust.
- Align the insurance policy year with the Town fiscal year, starting on July 1, 2020.
- Change the HRA reimbursement policy to match the HealthTrust rules, which limit the employer contribution to 50% of the deductible in the recommended health plan.
- Add a Flexible Spending Account (FSA or Health FSA) benefit for employees with funding coming both from the Town and, at their option, the employee.
- Work with HealthTrust to establish a comprehensive training program for employees and their adult dependents to learn how to make maximum use of the benefits HealthTrust offers to reduce their potential out of pocket expenses for health care to a minimum.

[1] Throughout this report, "family" coverage includes couples with child(ren), employee & spouse or employee & child coverage.

Implementing these recommendations should allow the Town to reduce the Medical Insurance Budget (Line 4155.210) by $156,000 per year (a 32% decrease) while still allowing the Town to offer employees comprehensive health care coverage with a limited increase in out of pocket expenses, and that is more in line with the coverage offered by other municipalities and employers.

Our comprehensive proposal does, however, include another critical element that will lessen the initial medical insurance budget reduction noted above.

- To adjust for the impact of the changes recommended above on total employee compensation, the Health Insurance Study Committee is proposing that the Town apply a portion of the medical insurance budget reduction to a one-time pay matrix adjustment. We believe that the resulting total compensation increases are *foundational to our proposal's effectiveness,* as well as its acceptance by employees.

*The net FY21 budget reduction, after implementing all of these recommendations, is nearly **$69,000**.*

Health Insurance Study Committee (HISC)

Committee Charge & Members

The HISC was formed by the Board of Selectmen (BoS) in May 2019 to address concerns about the rising cost of health insurance and its impact on the Town budget. Specifically, the published HISC charge was:

> "Purpose: to review the Town's Health Reimbursement Account starting in May/June 2019; and discuss rates and plan options in the fall of 2019 and recommend to the Board of Selectmen health insurance, short-term disability insurance and life insurance policy renewal options for the next calendar year."[2]

The Committee membership was to be comprised of the three (3) Employee Representatives, two (2) Citizen Representatives, one (1) Budget Committee Representative, and one (1) Selectmen's Representative. All members were required to be residents of the Town. Appointed members were:

James Dick - Citizen Representative (Chairman)
Ray Masse - Citizen Representative
Paul Dexter - Employee Representative (Vice Chairman)
Julie Lonergan - Employee Representative
Unfilled - Employee Representative
Tom Salatiello - Selectmen's Representative
Unfilled - Budget Committee Representative

There were no applicants for the third Employee Representative position. The Budget Committee in a regular meeting appointed Craig Weissman as their Representative to the HISC. He subsequently

[2] https://www.sanborntonnh.org/health-insurance-study-committee

sent an email to the BoS stating that he would not serve on the HISC.[3] The Budget Committee did not meet to appoint an alternate representative and therefore the Budget Committee position remained open throughout the HISC's work.

On September 10, 2019, James Dick submitted his resignation from the HISC because the following day he was to be appointed to fill a vacancy on the BoS and he could not serve in both roles. On September 11, at their regularly scheduled meeting, the BoS decided that James would become the new Selectmen's Representative on the HISC as this would provide continuity. [4]

On September 24, 2019 the HISC held its first meeting since James had resigned as Chair. At this meeting the HISC appointed Ray Masse as the new Chair.[5] Ray also informed the Committee that he had just the evening before been appointed to the Budget Committee[6] (though he had not yet been sworn in). The new HISC makeup beginning with this meeting was as follows:

Ray Masse - Citizen Representative (Chairman)
Paul Dexter - Employee Representative (Vice Chairman)
Julie Lonergan - Employee Representative
Unfilled - Employee Representative
Unfilled - Budget Committee Representative
James Dick - Selectmen's Representative

Committee Minutes

This report summarizes the HISC's work and recommendations. Detailed minutes of the Committee's meetings are available at: https://www.sanborntonnh.org/node/83/minutes/2019.

Committee Methodology

In order to address the issue of health insurance costs, the HISC used the following approach:

- Review of current employee health insurance coverage and its history
- Review of the HRA spend as well as the changes in HRA reimbursement rules over time
- Analysis of budget history for employee health insurance coverage
- Review of the insurance options available to the Town
- Tradeoff analysis to identify options available to the Town to balance health insurance coverage and increasing pressure on the Town budget
- Assessment of health insurance options as part of total employee compensation

The HISC's focus was on identifying the cost drivers for the current health insurance expenditures, reviewing the coverage alternatives that were available, and recommending a health insurance

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[3] Board of Selectmen's Minutes, 05/08/2019
[4] Board of Selectmen's Minutes, 09/11/2019
[5] Health Insurance Study Committee Minutes, 09/24/2019
[6] Budget Committee Minutes, 09/23/2019

structure that provided employee coverage in a way that was affordable but did not erode the total employee compensation package to the point where it would result in a loss of employees.

While the Town does offer Life Insurance and Dental Insurance coverage to employees, the HISC focused on the health insurance coverage as that is by far the largest driver of the cost associated with medical, dental, life and disability benefits (medical is 92% of these costs).

Definitions

There are several terms that are important to understanding health care coverage that must be defined in order to evaluate the Town's options.

Deductible - The amount the covered individual has to pay for health care service before the insurance coverage begins to make payments. Some expenses such as preventative care are most often 100% covered without a deductible or copay.

Coinsurance - A payment made by an individual to cover a portion of the cost for a medical service or benefit after the deductible limit is met. The coinsurance is usually figured as a percentage of the total payment, and made in conjunction with a benefit payment from the insurance company.

Copayment – An amount that an enrollee pays for a health care service. Copayments (or copays) may be required before the deductible is met, after it is met, or in conjunction with coinsurance.

Out-of-Pocket (OOP) Costs - Expenses for medical care that aren't reimbursed by insurance. Out-of-pocket costs include deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered. Some employee OOP costs may be reimbursed or offset in whole or in part by other benefit plans such as an HRA, HSA or FSA.

Health Reimbursement Arrangement (HRA) - An account that is used to reimburse employees for eligible medical expenses. The account is owned by the employer and does not expire. The employer defines which expenses are eligible for reimbursement and any caps on payments. For confidentiality and other reasons, HRA's are most often administered by third parties who manage the claims from employees, reconcile them with bills from the health care provider and determine what the employer's liability is.

Health Savings Account (HSA) - An HSA is an employee-owned account that allows them to take pre-tax dollars from their pay and put it into an account to pay for eligible medical expenses. Employers can also contribute to an employee's HSA. There are maximum contribution limits ($3,500 per individual, $7,000 per family in 2019), and the money can "roll over" from one year to the next, so the benefit is not lost if it is not spent. Any contributions by the employer belong to the employee whether they are used or not. Employees carry any unused balances forward for their use even when changing employers. To be eligible for an HSA, the employee must be covered under what is considered a High Deductible Health Plan (see definition below).

Flexible Spending Account (FSA) - An FSA uses pre-tax payroll deductions to fund eligible health care expenses for the employee and eligible dependents (a.k.a. Health FSA). Health FSAs can be funded by employees, employers or a combination of both. The IRS limit on funding for a Health FSA for 2019 is $2,700 in employee contributions plus up to $2,700 in employer contributions. Employers may fund up to $500 per account directly, whether or not the employee contributes their own funds ($500 limit is set by IRS regulation). Employers may also match employee contributions, on a dollar for dollar basis, but only if the employee's planned annual contribution exceeds $500. The Health FSA is fully-funded by the employer - at the start of the plan year - for the total expected combined annual contribution (employer + employee), and those funds are all immediately available to the employee for qualified health care expenses. The employee's contributions are paid back to the employer over the course of the plan year using pre-tax payroll deductions. Though only employees can contribute to their own Health FSA, they can use the funds in that account to pay for any qualified medical expenses incurred by themselves, their spouse or their qualified dependents. The Health FSA funds are generally only available to the employee for health care costs incurred during the calendar year. The Health FSA offered may include a grace period to use the benefit (typically 2 ½ months into the next year) or instead it can allow a rollover of up to $500 to the following year. Any contributions not used before the end of the grace/roll over period are lost and remaining funds (regardless of source) revert to the employer.

High Deductible Health Plan (HDHP) - To qualify as an HDHP, the annual deductible must be met before any plan benefits are paid (other than in-network preventive care services, which are fully covered). In other words, there are no insurance payments until the deductible is met - all payments come from the covered individual/family. Once the deductible limit is met, the insurance plan begins to pay coverage, which can be either 100% coverage or could require a coinsurance payment or copayment from the individual. An HDHP cannot have any copayments *before* the deductible is met as part of the plan - *all* payments by the individual must go to satisfying the deductible in order to qualify as an HDHP.

Health Maintenance Organization (HMO)- An insurance plan that provides individuals with access to a network of care providers. Doctors in the network have agreed to accept the insurance company's payment structure for covered services. Access to care outside the network is typically limited, requires a referral for specialist treatment, or requires the individual to pay the cost. HMO's typically have lower cost for services (and therefore lower insurance plan premiums), but the choice of providers is limited to within the network.

Preferred Provider Organization (PPO)- An insurance plan that provides access to a network of providers, but typically with more flexibility than an HMO. Individuals can choose an out-of-network provider, although the plan reimbursement may be at a lower rate than with a network provider. Plan premiums tend to be higher, although they provide the individual with more flexibility and access to a wider range of providers.

Site of Service (S0S) – This term applies to policies offered by HealthTrust and it refers to a location specified by them to be used for specific services such as lab tests, x-rays, MRI's, and the like. Even some surgeries, when performed by an independent ambulatory surgical center, qualify for SOS benefits. Use of designated SOS locations for the specified services generally have no copays or coinsurance, and result in a significant reduction in out of pocket expenses.

Select Low-Cost Providers (LP) – This term applies to Harvard Pilgrim's program that offers benefits similar to HealthTrust's Site of Service defined above. It does not have the same breadth of benefit, for example, it does not apply to x-rays or to an MRI but does apply to laboratory tests when performed at Select LP providers.

Note on Deductibles

Insurance plans have *individual* and *family* deductibles. The eligible costs that every family member under a plan incurs goes to both their individual deductible and the family deductible. When an *individual* reaches their deductible limit, all future services for that *individual* that are normally subject to deductible are covered 100%. When the *family* deductible limit is met, then services for all members - regardless of whether they have met their individual deductible limit or not - is covered 100%.

As an example, consider a family of four (Mother, Father, Son, Daughter) with an individual deductible limit of $1,000 and a family deductible of $3,000. If Son has an injury and requires $1,200 of treatment that is subject to a deductible, $1,000 satisfies his individual deductible and the remaining $200 is covered 100% by the plan. $1,000 is also applied to the family deductible. If Son requires more services with a deductible, he is still covered 100% by the plan even though other family members must still pay out of pocket. If Mother and Father each receive treatment that reaches their individual deductible, they would then have also satisfied the family deductible of $3,000. After that, any covered service for any family member (even Daughter, who has paid $0 toward her individual deductible) is paid 100% by the plan (less applicable copays, if any).

It is important to note that not every service is subject to a deductible. For services with copays, those costs are still the responsibility of the employee, regardless of deductible status. But for major expenses like hospitalization, surgery, etc., the out of pocket expense stops once the individual or family deductible is reached. *So, while analysis further in this report will discuss maximum out of pocket liability for employees, that's a "worst case" situation and does not account for the fact that all of the expense might be for just one family member, which would dramatically reduce the out of pocket cost risks.*

Relationship Between Deductible and Out of Pocket Expense (OOP)

Services subject to a deductible are identified, and the cost the patient pays for that service is applied to the deductible cap and the OOP cap. Copays and coinsurance do not count toward the deductible, but they *do* count toward OOP expenses. Therefore, it is possible that the deductible total and the OOP totals can be different if there have been copays for things like office visits and prescription medicine. Once the deductible limit has been met for a plan, only OOP expenses are applied to the cap.

Review of Current Health Insurance Coverage and Its History

The following facts concerning the current employee health insurance coverage and its history were collected by the HISC at the beginning of its process:

- Employee health insurance is obtained through New England Employee Benefits Company (NEEBCo), a health insurance broker.
- The Town selected NEEBCo as its broker in 2014, after encountering issues with the previous broker (Melcher & Prescott) over concerns about administration of the HRA account.
- Every year in the November timeframe, NEEBCo presents the Town with insurance plan options to select for the coming calendar year.
- Current health insurance coverage runs on a calendar year (Jan-Dec). As a result, the exact cost of the health plan for the Town's fiscal year (Jul-Jun) is not known when the budget is prepared.
- The current insurance plan is the Harvard HMO Silver 5000 LP plan, which could be considered a lower-tier plan based on coinsurance costs, and deductible and total out of pocket expense caps. That said, the Town's current HRA reimbursement practices shifts this coverage to a top-tier plan from the perspective of out of pocket costs for the employees.
- For health insurance, Town employees currently receive the following benefits:
    - All health insurance premiums are paid for by the Town.
    - All out of pocket expenses are reimbursed to employees through the HRA after each individual/family meets a Town mandated deductible limit ($500/individual or $1,000/family). The health insurance plan has a guaranteed maximum out-of-pocket cap which limits the Town's HRA liability.
- The Town offers a $4,500 annual stipend in lieu of medical insurance as an incentive for employees who have the ability to opt-out of the medical coverage. To opt-out an employee must provide evidence of medical coverage from another source (spouse, military retirement, etc.). This incentive is paid at the end of the policy year.
- The HRA was created in 2010 to save the Town costs under the health insurance plan that was in place. At that time, reimbursable expenses were limited to the cost of copays for hospital stays ($500 from the individual and $500 from the Town via the HRA).[7] These HRA payout limits were also capped on an annual basis at $500/individual and $1,500/family. Initially, this greatly limited the Town's total HRA exposure.
- As best the HISC could tell, the HRA coverage was expanded in the ensuing years in stages however, we did not research every detail of the HRA changes from 2010 thru 2017.

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[7] Board of Selectmen's Minutes, 06/30/2010

- The HRA budget has been increasing annually at a rate that is many times higher than the annual premium increases. More specifically, from FY16 thru FY19 budgeted premiums have risen 25% while the HRA budget has risen 85% in response to increasing maximum out-of-pocket cost caps at policy renewal.
- For CY18 the BoS authorized the use of the HRA to cover all out-of-pocket expenses beyond the Town set limits of $500/individual and $1,000/family. At least in part this choice was made because the new CY18 medical plan selected (thought to be the best option available to the Town at the time) included significant out-of-pocket expense increases, and the BoS felt it would be unfair to the employees to force them to pay the increase.[8] Further, there was a last minute mandated change in medical plans when Tufts, the new carrier originally chosen, notified the Town mere days before scheduled implementation that it could not move forward due to their being one Town retiree in the census.
- In 2019, the BoS chose to extend the policy for FY20 of allowing the HRA to cover all out-of-pocket expenses (above the same $500/$1,000 threshold).[9]

Analysis of the Budgeting History for Employee Health Care Coverage

Budgeting for employee health care is covered in the following budget line items:

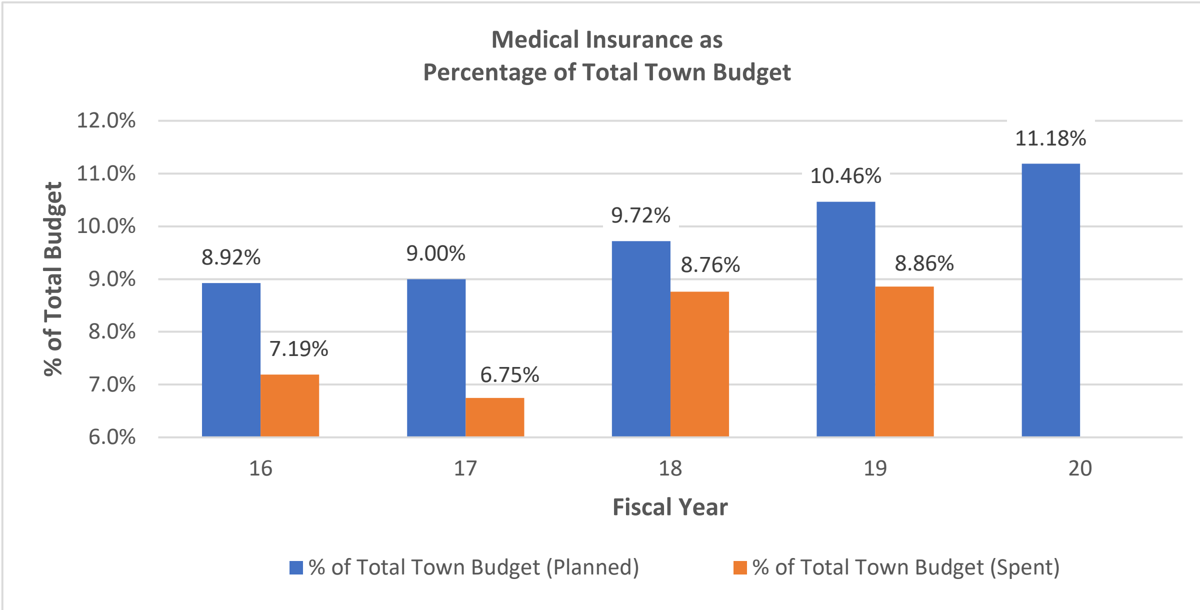
- 4155.210 - Medical Insurance*
- 4155.212 - Payments in Lieu of Medical Insurance
- 4155.217 - Dental Insurance
- 4155.218 - Life/Disability Insurance

*Line 4155.210 covers two major components - insurance premiums and HRA payments.

As a percentage of the overall Town budget, medical insurance continues to grow as highlighted by the Budget Committee at the 2019 Town Meeting. The actual rate of growth is shown in this chart:

(Continued on Next Page)

[8] Board of Selectmen's Minutes, 12/20/2017
[9] Board of Selectmen's Minutes, 11/14/2018



As of January 1, 2019, the health insurance plan has a maximum deductible ($5,000/$10,000) and a maximum total out of pocket expense limit ($7,900/$15,800) for individuals/families.[10]

As noted previously, beginning with coverage year 2018, the HRA covered all out of pocket expenses above the Town set limits of $500/$1,000 for individual/family. That means the Town's potential liability is the difference between the maximum out of pocket expense limits in the policy and the Town set limit. (Note: Maximum Deductible and Maximum Out of Pocket Expenses accumulate together - so the totals are not additive).

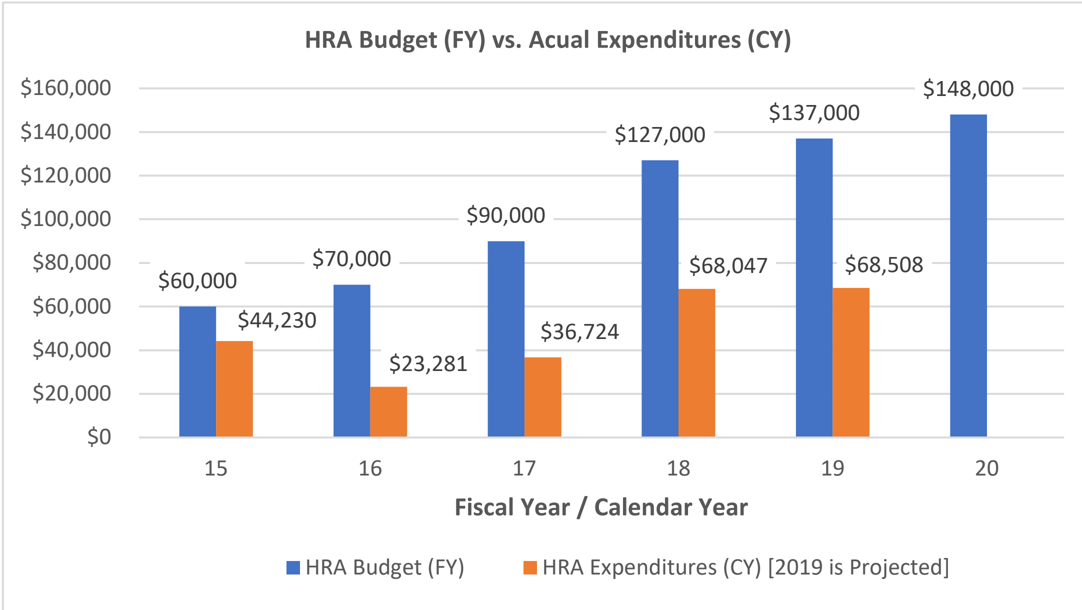
As an example:

> <u>Family Coverage</u>
> Maximum Deductible: $10,000
> Maximum Out of Pocket Expense Limit: $15,800
> Employee Family Limit (Town HRA Policy): $1,000
> Potential Town Liability: $15,800 - $1,000 = $14,800 (per family)

For budgeting purposes, the BoS assumes 10 employees with family coverage will use 100% of the Potential Town Liability as shown above. For FY20, that resulted in an HRA budget of $148,000. Though it is phenomenally unlikely to ever be reached, we would note that the Town's maximum liability exceeds $281,000. A history of the HRA budget and spend is shown in the chart that follows:

(Continued on Next Page)

[10] NEEBCo, Town of Sanbornton Comparison of Health Insurance, 11/14/2018.



Note that the HRA expenditures shown in this chart are based a CY (2019 is a projection) and the budget is a FY basis. Most commercial insurance carriers accumulate deductibles and maximum out of pocket expenses on a calendar year, regardless of the policy renewal schedule.

The third-party firm that handles the HRA disbursements is able to provide a breakdown for each covered individual/family unit (with no identifying information) to show the actual amount spent on the HRA. The “HRA Budget” in this table is based on the Town liability formula described above.

The HRA portion of the medical budget is hard to predict because the actual amount can vary greatly depending upon the type and cost of services employees utilize during the year. The Town remains liable, however, for expenses under the HRA reimbursement policy so in order to avoid a situation where liabilities exceed the appropriated budget, it is necessary to err on the side of caution. As a result, expenditure of the HRA portion of the budget historically runs significantly below the budgeted amounts, as shown in the graph on the prior page.

Health insurance premiums for the current coverage are based on the age of the covered individuals, therefore there is no exact “average” cost for premiums - it depends on the census of employees and their covered family members. In the insurance industry this practice is referred to as “age banding.” As age, number of employees/dependents, and the type of coverage (family or individual) changes, the actual cost to the Town also changes. The annual premium for each covered employee/family is calculated for the policy year as of January 1st (or as of the date of employment, if an employee joins mid-year). From the time budgets are approved, through the actual fiscal year end, the census can change both in types of coverage needed by employees and the actual age banding of each enrollee.

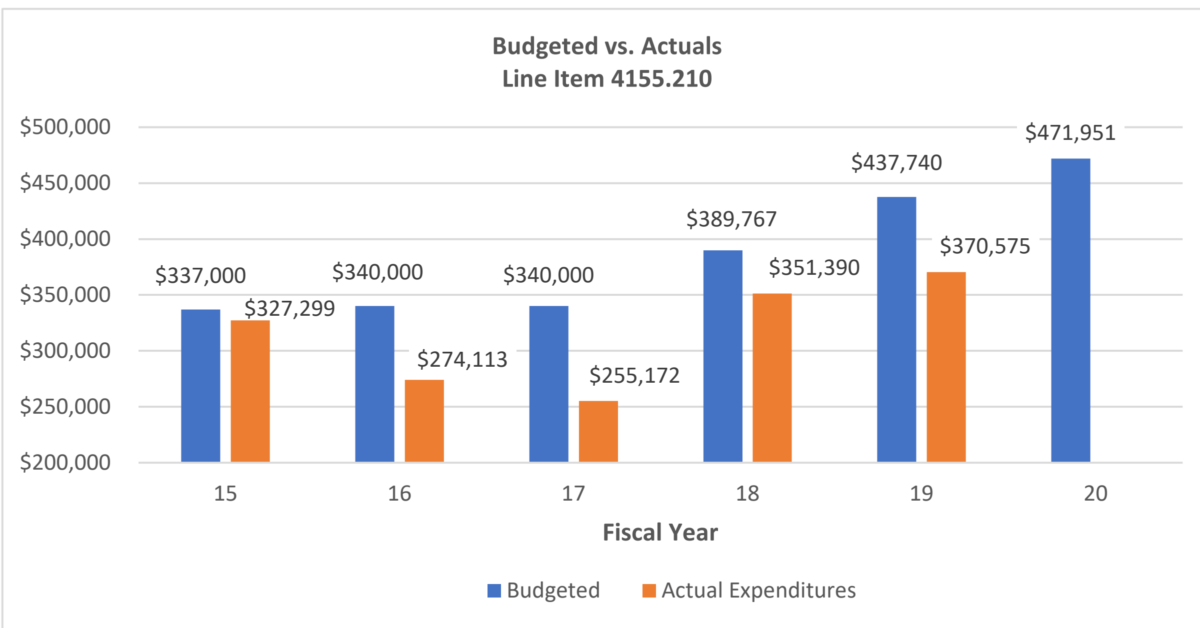
NEEBCo’s carriers calculate policy rates every quarter and publish that information to the brokerage. Entering the 2019 policy year, the Town was on a calendar year coverage - which means that the actual premium rates and the associated deductible/out of pocket expense limits would change in the middle of the Town's fiscal year. That has the potential to create extreme volatility in the budget if rates increase significantly at the start of a new coverage period or if the new plan chosen has materially different coverage, deductibles or out of pocket expenses. The Town works with the broker to come up with the best estimate of premium increases in order to accurately budget enough funding for the entire year.

For FY20, the Town budgeted $471,951 for health insurance, which broke down as follows:[11]

- Premiums: $323,951
  - Premium Increase: $23,211 (based on an estimated 7.66% increase over 2018 rates that went into effect on January 1, 2019 - in the middle of FY19)
- HRA: $148,000
  - HRA Contribution Increase: $11,000 (based on maximum out of pocket limit increase of $1,100 per family/individual calculated for 10 employees)

The FY20 budget, as well as prior year budgets, do not benefit from knowing the premium rates, liability limits or actual enrollee census. We presuppose that these uncertainties cause the Town to budget for premiums as well as the HRA in a very conservative fashion (i.e., over-budget). Afterall, and in fairness, it is challenging to make up a budget shortfall and under the right circumstances the swings in costs can be dramatic.

Actual expenditures for the Medical Insurance Line, as compared to budget, are shown in this chart:



As reflected in this chart, the amount actually spent on health coverage, both premiums and HRA

[11] Town of Sanbornton Town Report 2018, p. 92.

combined, is consistently lower than the budgeted amount.

While the maximum HRA liability has grown faster than the annual premium rate changes, the Town has spent - on average - a little less than 50% of the budgeted amount on HRA contributions. That indicates that the costs for the HRA have been historically overestimated and likely could have been reduced. There was risk, however, because the Town still remained liable for a higher cost under the reimbursement policies. Further, in 2015 and again in 2018 the Town under budgeted for premium expenses by 2% and 8% respectively. Therefore, in combination (premiums and HRA) the spend has ranged from 75% to 97% of budget during those same years.

Overall, it is clear that the annual cost for employee health insurance coverage is increasing significantly. The increase is driven by both the change in premium costs and the utilization of the HRA to cover out of pocket expenses. While the change in premiums is an unknown when budgeted, it is a fixed number for a particular policy year (ignoring census changes described earlier), whereas the HRA usage is dependent upon the amount of services that employees and their dependents seek in a given policy year. A few catastrophic illnesses or accidents could create a significant spike in the HRA liability which could impact the total budget. Anything that the Town can do to eliminate variable costs will help significantly with the budgeting process.

Characteristics of the Town's Insured Pool

Before reviewing specific coverage options, it is necessary to understand the characteristics of the Town's pool of employees and family members, and how that impacts coverage options.

The Town's coverage pool is considered a "small group" due to the number of enrolled individuals. Because of the small size of the Town's employee pool, it is ineligible to participate in many of the larger health plans which require significantly larger enrollment numbers. Generally speaking, medical plans for employers with more than 50 full time employees have their premiums experience rated. That is, employers with a generally healthy population have rates for their coverage that are lower than employers with a sicker population. With the Town's smaller employee pool, we are instead community rated (which reduces the risk of excessive premium swings when one or two employees or dependents becomes extremely ill). In the case of our current plan with NEEBCo, this is accomplished using age banding where, by way of example, premiums for a 30-year old employee are less than half the cost of a 56-year old participant. In the case of other insurance providers, such as HealthTrust, they use a pure community rating approach wherein all HealthTrust small group employers pay the same for coverage regardless of number of employees covered or their age.

Another factor that needs to be considered when the Town looks at insurance options is the existence of a retiree as part of its coverage pool. Under an earlier version of the State retirement system, retirees remained eligible to stay on the Town's health plan (the retiree pays their own premiums and expenses – but they receive coverage as part of whatever plan the Town selects). That rule was changed, but participants were grandfathered in if they already had coverage. The

Town has one retiree still under this arrangement, so any insurance plan considered has to accept retirees or it cannot be selected as an option.

Insurance Brokers

As noted earlier, since 2014 the Town has worked with NEEBCo as its insurance broker. A broker deals with several insurance providers and offers the Town various plan options from which to choose. The broker does not charge the Town for their services - they receive their fees from the carrier whose coverage is selected. In the case of NEEBCo, they offer three companies who will deal with a small municipal pool like Sanbornton: Harvard Pilgrim, Anthem, and Tufts. Unfortunately, the Tufts plans will not accept retirees, so they are not available as an option to the Town.[12]

Other brokerages exist and could be explored but for the most part all brokers represent the same health insurance providers. The HISC did contact HealthTrust and received information on plans that they offer which would be applicable to the Town.[13] HealthTrust is a nonprofit public risk pool providing benefit plans exclusively to public sector employees and their families in New Hampshire. They provide insurance to 83% of the municipalities in the State. HealthTrust uses Anthem to administer their medical plans. Those plans will be discussed later in the report.

Current Health Care Plan Overview

The current plan for the Town is offered by Harvard Pilgrim Healthcare:

Plan Type: HMO

Qualified as HDHP?: No

Maximum Deductible: $5,000 (individual)/ $10,000 (family)

Maximum Out of Pocket Expense: $7,900 (individual)/ $15,800 (family)

Special Features: The plan offers reduced (or eliminated) copays and deductibles when certain services are accomplished by Low-cost Providers (LP) designated by Harvard.

Other: Plan requires selection of a PCP. Plan includes copayments and/or coinsurance for all regular visits (including PCP), specialist visits, acute care, hospitalization, and prescription medication (among other things).

Other Coverage: HRA deductible of $500/$1,000 (individual/family) after which all out of pocket expenses are paid in full, including copays

Note: The Deductibles and Out of Pocket Expenses shown above as well as copays and coinsurance, though very high, are all paid back to employees through their HRA reimbursements. The <u>only</u> financial liability for employees is their Town set $500/$1000 deductible before HRA payments begin.

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[12] Sanbornton Health Insurance Study Committee Minutes, 6/30/2019.
[13] Sanbornton Health Insurance Study Committee Minutes, 7/16/2019.

Review of Health Care Options

In reviewing health care options, the HISC considered HMO, PPO, HDHP, HSA, FSA and HRA options. More than a dozen different policy options/combinations were considered. When reviewing alternate policies, the HISC considered:

- Premium costs
- Potential HRA costs/HRA coverage options
- Impacts of an HDHP/HSA option
- Potential offer of a Health FSA
- Other potential benefit programs/incentives
- Impact to employees of any higher out of pocket costs as part of total employee compensation

Premium Costs

The HISC reviewed available insurance plan options to identify any which could provide essentially the same (or better) coverage as the current coverage option, but at a lower price. In reviewing the information received from both NEEBCo and HealthTrust, there were several plans that could result in lower overall budgeting costs.

The NEEBCo and HealthTrust plans take a different approach to premiums which makes exact comparisons a bit difficult. The NEEBCo plans use a census of covered employees and then calculates premiums based on the age of each covered person. So, when discussing options, the premium estimates from NEEBCo are "illustrative" based on the current census population. Likewise, when employees leave or join the plan, the exact change in the premium depends on the demographics of the people leaving/joining. HealthTrust, on the other hand, has fixed prices depending on the type of coverage: individual, 2-person, or family. The age of the participants in the plan do not matter - so it is somewhat easier to come up with a cost estimate.

NEEBCo and HealthTrust also use different policy renewal schedules. NEEBCo recently offered an early renewal that allowed the Town to take advantage of favorable rate change. Rates are published approximately two months before the start of each quarter. In fact, the Town decided to renew the current Harvard Pilgrim plan starting 9/1/2019 because the rate increase (0.33%) was significantly lower than the 7.66% increase that was experienced at the last January renewal date. Many insurance carriers allow renewal or change in plans at any time during the year, with no impact on the employees' deductible and maximum out of pocket contributions (which are both calculated strictly on a calendar year).

In comparison, HealthTrust only offers policies that run Jan-Dec or Jul-Jun. The rates will vary between the two renewal periods because the associated risk pools are different, with the Jul-Jun period offering significantly lower rates due to a much larger (5X) risk pool size. Of particular note is the fact that in October each year, HealthTrust will provide Guaranteed Maximum Rates (GMR) for policy premiums for the <u>following</u> July renewal period. That means the Town would have firm numbers for budgeting the entire fiscal year with no chance of an unanticipated increase mid-year. At the time of the writing of this report, HealthTrust had communicated to the HISC that the GMR increase for July 2020 had just set to 0.9%. (Although the final rate could go down, they are guaranteed not to increase over the October GMR). *Having the GMR would significantly improve the budgeting process.*

NEEBCo was contacted for their rates effective Q4 2019 (the quarter after the Town's early renewal) so that we had the most recent information. That data showed that premiums for the Town's current Harvard Pilgrim policy increased 0.45% between Q3 and Q4. Unlike HealthTrust, commercial carriers will only provide rates about 60-days before the start of each calendar quarter. All cost analysis in this report is based on the Q3 2019 NEEBCo rates as compared to the July 2020 HealthTrust GMR rates.

When considering the difference in premiums between various plans, it is important to remember that coverages can vary widely. The details of what is covered, what is not covered, and what the individual's portion of the cost for services is, all make a big difference when evaluating plan options. The HISC attempted to choose plans that provided the same coverage - or *better* - for employees, when the cost of copays and coinsurance were compared.

There were four plans that offered lower premiums than the current plan (HMO Silver 5000 LP). Two are offered by NEEBCo (Anthem Silver Pathway 3000 and Anthem Silver Pathway 5000) and two from HealthTrust (Access Blue New England HMO AB25 and Access Blue New England HMO AB30). There were also two HealthTrust plans (Access Blue AB15 and Access Blue AB20) that had higher premiums but much lower deductibles that were also closely analyzed. Other plans from each vendor either had much higher costs, were HDHP options that had been ruled out or were otherwise disqualified by the HISC. In general, the two NEEBCo Anthem plans tended to have basically the same level of coverage as the current Harvard Pilgrim plan, with a few areas with improved coverage. The HealthTrust Access Blue plans had more areas that offered increased coverage, although some of those increased benefits were only through the use of the plan's Site of Service providers. A comparison of what the HISC considered to be the four primary plans, their coverage, and the associated costs are provided in Appendix I, which also includes the current plan for comparative purposes.

In terms of overall annual premiums for the plans analyzed, the savings ranged from $15,000 to $97,000. The largest savings from the NEEBCo offerings was The Anthem Silver Pathway 5000 which was $31,000 less than the current plan. For HealthTrust, the largest premium savings came from the Access Blue AB 30 at $97,000. There were also other plans that had higher premiums for more robust coverage that ran as much as *$138,000 more than the current plan*.

In comparing historical rate increases, HealthTrust reported a 5-yr average increase of just 2.5%. The NEEBCo plans, by comparison, increased 6.5% over the last 5 years (across 2 different plans) and 10.6% on the current plan over the last 2 years.

As mentioned earlier, premiums alone do not provide a complete picture of the health coverage costs for the Town.

Prescription Plans

Consideration was given to the different prescription drug plans that are offered through the insurance plans. Often a medical plan will have two or more associated prescription options to choose from. Some plans also offer incentives for people who are on maintenance medications to use mail order for 90-day supplies (retail store pick up is sometimes an option) at a significantly reduced cost. That also translates into a cost reduction for the Town if it is covering portions of the employee's out of pocket expense.

It should be noted that the HealthTrust plans *do* impose a restriction on the choice of pharmacies for maintenance medications (defined as a recurring medication used to treat a chronic condition). For maintenance medications, HealthTrust requires the use of CVS (or its mail order system, Caremark) to fill the prescription. Supplies (30 or 90-days) can be picked up in person at a CVS store or ordered online for home delivery. While that does restrict choice, the cost savings is significant. The HealthTrust plans offer a 90-day supply that reduces the out of pocket copay by as much as 66% compared to a monthly order. There are no restrictions under the HealthTrust plan for medications prescribed as a result of a sudden injury or illness -- they can be filled at any major pharmacy (Walgreen's, Rite Aid, etc.) and they are subject to the standard plan copay. For those on very high cost medications, the HealthTrust plan is hands down a better, less costly solution.

Potential HRA costs/HRA coverage options

The HISC also looked at potential ways to apply the HRA to the various plans under consideration. While the Town has complete discretion in defining what the HRA will cover, the HISC focused on two scenarios for sharing the cost of health care, as described below.

Scenario 1: Status Quo. The HRA continues to pay all out of pocket expenses once the individual/family contribution to the deductible is met ($500 individual/$1,000 family). The HRA pays up to the maximum out of pocket expense associated with the plan. Scenario 1 only applies to the plans offered by NEEBCo.

Scenario 2: Town pays 50% of the deductible only - employees pay the other 50% and all out of pocket expenses above the deductible, up to the out of pocket maximum. It assumes the deductible costs are split evenly every time a claim is submitted.

Scenario 2 is based upon the restrictions of the HealthTrust plans. They do not allow employers to contribute any more than 50% of the deductible. The reason is that they want the employees to make cost effective health care choices, and employer funding of their expenses removes much of the incentive for selecting lower-cost options because it is *free*. HealthTrust relies on this kind of consumerism to help keep their premiums low. They further drive consumerism by offering employee education, Site of Service providers that, when used, allow employees to completely avoid copays and deductibles, and by offering substantive cash rebates to employees who choose the lowest cost provider for numerous services. It is important to note that our analysis of employee costs does <u>not</u> include any consideration of these cash rebates to employees – which would represent an additional benefit.

For any expense covered by the HRA in either scenario, employees are required to provide payment at the time service is rendered, and then the bill is submitted for reimbursement through the third party that administers the HRA. Depending on the cost of the service, that can create a hardship for employees, so the impact of large copays and coinsurance is a factor to be considered.

An infinite number of scenarios could be constructed around different cost sharing options, but the HISC felt that these two were worthiest of consideration. Any plan that shifts significantly more of the cost burden to the employees would be very risky in terms of employee retention and recruitment and should not be considered. Any plan that takes on more cost for the Town would not be acceptable from a budgetary standpoint.

The comparisons in Appendix I show the impact that the different premiums, maximum out of pocket expenses, and the plan deductibles have on the overall cost of health care for the Town. While lower premiums offer a considerable opportunity for savings, the changes in allowable HRA reimbursements for the HealthTrust plans had the most dramatic impact on the medical insurance budget for the Town.

The budget impact was even greater for the plans under Scenario 2. In every case, plan savings increased over Scenario 1 and over premium reductions alone. The difference was most dramatic, however, for the plans with the combination of lower deductibles and lower maximum out of pocket expenses, which resulted in lower HRA costs. Both of the HealthTrust Access Blue plans would provide a medical insurance budget reduction of over $180,000, as compared to current insurance plan, and they are more than $140,000 less than the best Scenario 1 results. (Note: Appendix I does not show every iteration of both scenarios that were analyzed.)

The budget reductions under Scenario 2 are achieved by *potentially* shifting some of the cost burden from the Town back to the employee. The amount of that burden sharing depends on the rate of benefits usage. Employees and their families who use more health care benefits end up paying a larger share of the cost. The *<u>potential</u>* deductible cost increase for employees for the full set of options shown in Appendix I ranges from $1,000 to $5,000 more than the current plan; based on having to pay 50% of the plan deductible. Use of Site of Service options within the insurance plan to reduce or eliminate copays, however, can result in the employees paying little-to-nothing for many diagnostic services – and even paying less out of pocket than under the current insurance plan and HRA policy. There are additional options to lessen this increase which are covered later in this report. Appendix II provides some examples of potential health coverage usage, and the associated out of pocket expenses to the employee (examples are based on the insurance plan recommended). While every employee will have a different experience, the scenarios provide a useful way to provide a "sanity check" that changing plans will not place a disproportionate share of health care costs on the employees.

We also examined the budget reductions that could be achieved if we applied the HealthTrust rule that limits the Town's HRA contribution to 50% of the deductible to the two NEEBCo options (bottom of Appendix I). Though that rule is a requirement only of HealthTrust, the Town could choose to apply it to the NEEBCo plans as the Town has almost complete flexibility in designing the HRA benefit. Applying this rule to the NEEBCo plan options certainly moved their total cost much closer to the HealthTrust options, however, the latter still resulted in budget reductions about $50,000 greater.

Impacts of an HDHP/HSA Option

As noted in the definitions, the option of offering an HSA requires a qualifying HDHP. HealthTrust offers two HDHP's - the LUMENOS 2500 and the Access Blue ABHD. The LUMENOS plan offers no budget reduction compared to the current Harvard Pilgrim plan - in fact, it would require the Town budget $40,000 more for premiums than the current plan. The Access Blue ABHD plan would save nearly $80,000 in premiums compared to the current plan, but that is still less than the other plan savings in Scenario 2.

As discussed previously, HDHP's also allow the use of HSA's. The Town is not required to contribute to the HSA (but could choose to do so), but offering it can provide employees with a way to reduce their tax burden by contributing pre-tax payroll dollars (up to the 2019 maximum limit of $3,500 for single and $7,000 for family) into the account. Employees 55 and older can add an additional $1,000 to these limits. HSA funds can be used by employees to pay their share of health care expenses. This provides employees with a tax advantage to help pay for an expense that they would have to cover in any case. Since the HSA does not expire, they are also not at risk of losing any funds that they contribute. This can be particularly helpful as an investment strategy to put away extra funds for later in life when health care costs can increase.

It was the HISC's assessment that using an HDHP in conjunction with an HSA did not offer the same medical insurance budget reductions for the Town, while transferring the same - or even more – of the cost to the employees. It was, therefore, rejected as a viable option.

Offer of a Health FSA

A Health FSA provides employees a way to set aside pre-tax payroll dollars to cover eligible health care expenses. Unlike an HSA, there are no restrictions on the type of policy required for eligibility. The FSA is more limited, however, in that the available funds expire at the end of the calendar year, unless the plan includes a grace period or a roll over (up to $500). IRS regulations also limit Health FSA contributions to a maximum of $2,700 (for 2019). It is the employee's responsibility to manage the FSA to ensure funds are used in a timely manner. Since the basic FSA comes at no cost and minimal liability to the Town, there is no reason *not* to offer it as part of a health care benefit package. Brokers/carriers will sometimes offer management of an FSA at no additional cost, as is the case with HealthTrust.

There are two options the Town has to use the FSA to help employees offset the potential for increased out of pocket costs under a new insurance plan. The first is to provide up to $500 (limited by law) of direct employer funding to the FSA. The employee can then use that money to pay for allowable out of pocket expenses such as copays for doctor's visits or prescriptions or to assist in paying their half of the deductible under Scenario 2 options. FSA funds may also be used by employees for dental and eyecare expenses as allowed by law. Any unused funds that remain once the grace period or roll over period expires would revert to the Town. Town funding of the direct employer FSA contribution would cost a maximum of $10,500 (based on the current enrolled head count of 21 employees), and could easily be paid for with the savings from changing plans/HRA policy so there would be no increase to the health care budget. The fact that this is a ***fixed*** – and not variable – amount helps control growth in the health care budget, while still offering a valuable benefit to employees as part of their overall compensation.

While the Town is limited to a direct employer contribution of $500 to a Health FSA, it also has the option of providing ***matching*** payments to any contributions the employee makes, up to the maximum limit allowed by law. The Town could set the match to any limit it wants, such as a maximum of $500. Under that scenario, the maximum liability for the match would be another $10,500 - but it could be lower if employees don't contribute to their own FSA, or contribute less than the Town match. It is another low, fixed-cost option that the Town should use to help reduce impact to the employees of any change in coverage plans that could potentially result in higher out of pocket expenses for the employees.

In the case of an FSA match program, employees would make an FSA election during the open enrollment period, and set up payroll deductions to cover the amount by the end of the policy year. The Town pays claims as they are submitted, beginning on the first day of the policy year. The Town would need to have sufficient budget funding available to cover the expenses. Automatic payroll deductions will repay the employee's match amount to the Town over the course of the year. The result is that at the end of the fiscal year, the net cost to the Town for the employee's share of the match would be near zero.

The inclusion of an Health FSA *can* create a slight risk to the Town if an employee uses a large portion of the FSA benefit and resigns before their repayment is complete. While this risk could result in some additional cost, the benefit to the employees to their being able to spread out some of their health care costs over the entire year would appear to outweigh any risks. Under IRS regulations, and as a partial mitigation of the risk employers are assuming, the IRS mandates that remaining funds in the FSA revert to the employer/Town – to include unspent matching contributions contributed by the employee.

The final consideration for the FSA is to include a Dependent Care option. This allows employees to make pre-tax contributions to cover qualifying dependent care such as child care. This is 100% funded by the employee and comes at no cost or risk to the Town. Although the rules for accessing the dependent care benefit are a bit more complicated than the health care funds, there is no reason not to offer it as a benefit for the employees who might need it.

Cash Incentives for Using Lower Cost or Preferred Providers

A common and growing practice of insurance carriers is to incentivize employees to make wise health care choices. This includes wellness programs as well as monetary incentives to encourage the use of facilities that provide care at a lower cost. These monetary incentives help reduce the cost of the care provided (thus reducing costs for the Town) but can also help compensate employees for any additional out of pocket expenses.

The Town's current insurance plan with Harvard Pilgrim does provide some limited incentives for employees. There is a website that helps employees find the most cost-effective provider for a particular service, and offers them a cash rebate for choosing that facility. It does not appear that the service is widely used or understood by the Town's employees, and it is unclear how many actually use it. The incentives offered are not large dollar amounts, and it may be that employees don't feel it is worth the effort to "shop around" for service. What appears to be a limited use of these incentives is also likely driven by the fact that the HRA reimburses employees for nearly all of their expenses. Regardless of the insurance option the Town chooses, employee education on health care decisions should be an important effort.

HealthTrust offers cash incentives ranging from $25 to as much as $500 to employees who use providers deemed the most cost effective for certain procedures.[14] They offer lower rebates for second and third tier providers in an effort to encourage the lowest cost service. We found the HealthTrust incentive payments to be much more generous than other plans studied. The value of these benefit programs should be factored into any decision about changing plans, and should definitely be part of the employee education program.

It would be difficult to predict usage of these cash incentive programs so all of our cost comparisons ignore these rebates. *There is no doubt that when these incentive programs are used effectively, in particular the HealthTrust SmartShopper program, employees will lessen their out of pocket costs.*

Other Cost Sharing Options

There are many ways to share the cost of health care with employees. One method, highlighted with the HealthTrust policies, is to limit the amount an employer is allowed to contribute toward the deductible. That automatically forces the employee to take on a larger share of the cost and ideally encourages consumerism.

A cost sharing option previously used by the Town was to limit the out of pocket reimbursements to employees from the HRA by health benefit type. For example, the Town could agree to pay all PCP and prescription copays, but nothing else. The determination of the covered out of pocket expenses is completely up to the Town. It would require more detailed data from the HRA administrator to

[14] HealthTrust, SmartShopper Brochure, Jan 2019.

understand what the majority of HRA payments cover, and how adjusting eligibility would impact both the budget and the employees. Arbitrary determinations of eligible HRA reimbursements are not likely to create much cost savings and it could have unintended consequences for employees who rely heavily on services that didn't get selected for reimbursement.

Another oft used option is to require employees to share in the cost of premiums. The Town's current policy is to pay 100% of the premiums for employees and their dependents. It is common for businesses and municipalities to require a cost share with employees for at least the dependent premiums, and in many cases for the employees themselves. This approach can be taken independently or in conjunction with other cost sharing methods like the 50% deductible sharing outlined in Scenario 2.

According to the results of a 2018 study of 2,400 employers across the US, those in the Northeast with premium cost sharing programs, had employee's paying on average 18% of the premiums for themselves or 25% for a family plan.[15] By way of example, under the current NEEBCo plan, and using the percentages from this study, an employee with single coverage would pay $1,190 annually and someone with family coverage would pay $5,020 annually – merely for cost sharing, let alone copays and deductibles. The Town could certainly opt for lower premium cost sharing percentages.

To the extent that the 50% deductible sharing and the elimination of HRA payments for other out of pocket costs described in Scenario 2 is already a material increase in potential cost for employees, the HISC does <u>not</u> *recommended that the Town consider using premium cost sharing methods.*

Total Employee Compensation

In 2016, the Town undertook a comprehensive study of the issue of employee compensation. The Town was having difficulty attracting and retaining employees, and it was believed that the compensation being offered was part of the problem. The Town contracted with Thornton & Associates to perform a Wage Survey and Compensation Study and the results were published in early 2017. The intent was to evaluate how Sanbornton's Town employee compensation compared to surrounding towns, and to develop a compensation program and budget to attract and retain top talent within the Town.

The contractor performed job classifications of more than 40 different positions encompassing every position in the Town. A market survey was done using wage rates from surrounding towns, as well as some general regional information in order to understand how Sanbornton pay rates aligned with the area. Recommendations were made on a new pay scale and appropriate placement of each Town position on that pay scale.

The Compensation Study did look at total employee compensation, including health care. At the time of the report (2016/2017), the Town's policy was to pay the premiums for all employees (and dependents), and to use the HRA to pay for hospitalization and to cover the $150 copay for

[15] 2018 Mercer National Survey of Employer-Sponsored Health Plans

Ambulatory Surgery Centers (to incentivize employees to use the lower cost alternative to a hospital for some minor surgeries).[16] As previously noted, that policy was changed with the 2018 policy year to use the HRA to cover 100% of the out of pocket expenses once the $500/$1,000 thresholds were met. At the time of the study, the Town's health care was considered on par with or leading the market, and the Town's contribution toward employee health care exceeded what the report identified as "Best Practice" for both health and dental coverage.[17] Since the time of the study, the HISC believes that the Town's HRA reimbursement practices, in particular with the 2018 changes, have put the Town at an even higher "Best Practice" status.

For a variety of reasons, the Town did not implement all of the report recommendations with respect to pay grade/step for each position and employee.[18,19] While the Town's compensation after the pay matrix restructuring became more competitive, it still lags surrounding towns and cities which puts the Town at risk of losing employees - including long-term employees - due to better compensation from another locale.

Pay and compensation policy is still being adjusted by the BoS, and in the FY20 budget, an across-the-board Cost of Living Adjustment (COLA) of 2% was applied to all positions within the Town.[20] It should be noted, however, that COLA increases only hope to "keep pace" with other towns and employers but they don't serve to close the wage gap the Town is burdened with. In fact, the actual cost of living increase used for Social Security in 2019 was 2.8% - which means the 2% COLA didn't actually cover the increased expenses, at least based on that datapoint.

Impact of Health Care on Employee Retention and Recruitment

As noted in the discussion of the different coverage options, one potential change could be to shift some of the cost of health care back to the employees. The policy that the Town currently has in place far exceeds the standard in industry or private business, and can be considered very generous. While the fact that the policy has been in place for two years makes it harder to change, it is one of the first areas that needs to be considered when addressing the cost of health care for the Town.

As an earlier section showed, adjusting the cost sharing so that the employees potentially take on a greater share of the out of pocket costs results in a significant medical insurance budget reduction for the Town. The impact of transferring that burden back onto the employees must be considered, however, as it has *de facto* become part of the total compensation for the position. One difficulty in assessing that impact is that it is very individual and dependent on the particular circumstances for each employee. The increased cost of health coverage - calculated as a percentage of total pay - will

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[16] Sanbornton Board of Selectmen's Minutes, 6/29/2011.
[17] "Wage Survey and Compensation Study Project Report", Mach 2017 (Revised May 3, 2017) Report of Consultant's Findings, Thornton & Associates, pp.7-8.
[18] Town of Sanbornton 2017 Annual Report, Selectman's Report, Page 30
[19] Sanbornton Board of Selectmen's Minutes, 1/10/2018
[20] Town of Sanbornton Pay Matrix - Amended Effective 7/1/2019.

vary greatly for each employee. One risk of changing the current policy is that it could potentially place the greatest burden (based on health care usage) on the employee(s) who can least afford it from a salary perspective. Nonetheless, it is an option that deserves serious consideration. Choosing the right health care policy that minimizes the cost to employees while providing the Town with the necessary budget relief is critical to retaining employees.

An important impact of changing the policy to require employees to pay a higher share of the out of pocket expenses is that it helps reduce the variability in the Town's budget. Between the cost for insurance premiums and the cost for the HRA, the HRA by far creates the greatest uncertainty. While the budget history shows that the Town historically underspends the budgeted amount for the HRA, it is important to remember that the budget only accounts for *<u>about 50%</u>* of the maximum HRA liability. Reducing that risk by reducing the maximum liability is a worthwhile objective.

<u>Impact of Higher Out of Pocket Costs</u>

Any change to the current health care benefit (which has now been in place for 2 years) must be evaluated as part of the total employee compensation from the Town. Changing the arrangement in a way that requires the employees to pay more out of pocket, while fair, will still effectively be a "pay cut" because more of their payroll will now have to go toward health care.

(Continued on Next Page)

<u>FINAL RECOMMENDATIONS</u>

Based on all of the information that the HISC reviewed, we make the following recommendations to the BoS:

1. Switch the Town's health insurance from the current Harvard HMO Silver 5000 LP plan to the **Access Blue New England HMO AB 25 (with Prescription Option 2)** offered by HealthTrust.
2. **Initiate the new HealthTrust policy in July 2020** to keep expenditures aligned with the Town's fiscal year. A Guaranteed Maximum Rate (GMR) for the recommended medical plan was obtained from HealthTrust in October 2019 (rate effective July 1, 2020). The GMR shows a 0.9% premium increase. *We've incorporated that rate increase into the analysis of all HealthTrust plans in this report. This GMR program guarantees the Town's premiums thru June <u>2021</u>.*
3. The change in medical policy renewal from a CY to FY will cause some number of employees to pay deductibles twice (or some portion thereof) in CY20. This is because deductibles begin accumulating on January 1, 2020 and when the recommended medical plan change occurs on July 1, 2020, deductibles begin accumulating anew. Therefore, **we recommend that the Town alter its HRA policy during the period of January 1 thru June 30, 2020 to eliminate the existing $500 single/$1,000 family deductible** (moving it to $0 solely for this period). Although this HRA change has not been directly budgeted for per se, the fact that the HRA portion of the FY20 Medical Insurance Budget (Line 4155.210) will undoubtedly be underspent should more than cover this added expense. We forecast that this temporary HRA policy change will cost something less than $19,000 (thus lessening the budget overage). *This one-time policy change will not have any budget impact in FY21 or beyond.*
4. Beginning with the plan change in July 2020, utilize the HRA to **pay 50% of the employee deductibles.** Payment should be made as a refund on 50% of the deductible cost every time a claim is submitted (i.e., 50/50 split between Town and Employee) up to the maximum deductible in their plan.
5. Beginning July 2020, **offer employees an FSA** to allow them to set aside pre-tax payroll deductions to cover their increased health care costs. There is no cost to the Town for administering the FSA. The Town would need to fully fund the Health FSA accounts at the start of each fiscal year (including the Town's contributions proposed in paragraph 5.a and 5.b below, as well as the full amount each employee has elected for their own annual Health FSA contribution). *These FSA funds, in their entirety, become available to the employee for qualified medical expenses at the start of each policy/fiscal year.* Employee contributions to the FSA will be repaid through weekly pre-tax payroll deductions. More specifically, for employees enrolled in the Town's health insurance plan;

a. **Provide a direct employer contribution of $500 to the Health FSA** to help offset any increased out of pocket expenses to employees under the new plan.
b. In addition, **provide up to $500 in matching Health FSA contributions** for those employees who contribute in excess of $500 into their Health FSA. Some examples:

Employee Contribution	Town Contribution	Town Match	FSA Total
$0	$500	$0	**$500**
$300	$500	$0	**$800**
$700	$500	$200	**$1,400**
$1,500	$500	$500	**$2,500**

c. **Offer the Dependent Care option for the FSA** – this comes at no cost to the Town and it simply becomes available to employees who qualify and choose to use it.

6. Work with HealthTrust on a comprehensive training and awareness program for enrollees to teach them how to best use their health care benefits, and how to use the incentive programs and Site of Service providers to greatly reduce their out of pocket costs. This should not be a "one and done" training effort. At the time of transition, the initial training should include at least two sessions convenient to both employees and their spouses. The training should be repeated annually, at a minimum. New hires will also require training.

7. To adjust for the impact of the recommendations above on total employee compensation, we recommend applying a portion of the medical insurance budget reduction to **a one-time across the board pay matrix adjustment.** Our specific proposal and associated costs are presented in Appendix III. We've also created a revised Pay Matrix based on this recommendation and it is presented as Appendix IV. This adjustment to total employee compensation should be considered **separate and apart from any COLA and grade/step adjustments** for FY21.

   It is the position of the HISC that implementing our recommended health care plan changes - without some level of total employee compensation adjustment - will result in worsening employee relations and will impact retention and recruitment. On the other hand, utilizing a material portion of the medical insurance budget reduction to adjust the pay matrix will have a lasting, positive effect on current employees and it also should improve the Town's ability to attract new employees going forward. As noted in the Executive Summary, ***the HISC considers this total compensation adjustment <u>foundational</u> to the effectiveness and fairness of our recommendations.***

8. Though not studied by the HISC, we recommend that the Town seek bids from HealthTrust for other benefit coverages such as disability and life insurance. The Town currently has its dental coverage with HealthTrust so that will be a simple integration. Having a single firm overseeing these coverages should lessen the Town's administrative burden.

9. In years past the HISC's charge was, for the most part, simply to review the medical insurance options provided to the Town by its broker, and to advise the BoS on what they felt was the best insurance plan option. Going forward, **we are recommending that the BoS expand the charge of future HISCs to include all of the insured employee benefit plans** (medical, life, dental and disability) – *and, as well* – the policies and practices related to each of these benefits. The latter would include HRA funding and payment policies, FSA funding, payments in lieu of medical and dental insurance, and so on.
    a. We would also suggest that any future increases in HRA and FSA funding and related practices/policies be carefully considered as to their long-term impact to budgets. It should not be an expectation that all future out of pocket expense increases for employees become fully funded by the Town using these or other mechanisms.

Based on the information presented in this report, **the Town should expect to save $156,000** in FY21 over the FY20 funding on the Medical Insurance Budget (Line 4155.210). That **represents a 32% decrease in the cost of health care**. After implementing the total employee compensation adjustments, **the Town will still net nearly <u>$69,000 in total budget savings</u>.**

Further, and arguably the number one charge for the HISC, **the inherent risk associated with the current HRA policies will be dramatically reduced**, while not creating a negative impact on employee recruitment and retention.

<u>Pros and Cons of the Recommended HealthTrust Insurance Plan</u>

<u>Pros</u>

- Lower insurance premiums (FY20 = $337K; FY21 = $259K - a reduction of $77K)
- Lower the worst case HRA liability for the Town (FY20 = $281K; FY21 = $75K)
- Reduced budget for HRA payments (FY20 = $148K; FY21 = $45K - a reduction of $103K)
- Extensive in State network (all NH PCPs & hospitals [including Dartmouth] are 'in-network')
- New England-wide network of hospitals and providers gives access to the finest specialty care in the region.
- Referrals by a PCP to an out-of-network specialist are treated as an in-network visit.
- Site of Service benefits reduce, and in some cases eliminate, employee out of pocket cost (and related HRA payments).
- Prescription plan reduces employee out of pocket cost, particularly for maintenance drugs.
- Guaranteed Maximum Rates available each October will greatly improve budgeting.
- Historic annual rate increase of only 2.5% over the last 5 years

<u>Cons</u>

- Employees pay increased share of health care but, this will be greatly mitigated, and for many eliminated, by adding the FSA and adjusting the total compensation as recommended.
- There can often be some amount of disruption for employees when medical coverage

changes, in particular as materially as we are proposing. *The Town must manage the transition and training well to avoid or reduce this potential.*

Detailed Comparison of Benefits & Cost

The tables below provide a direct comparison of the plan benefits and costs for the current insurance plan with the Committee's recommended option.

Comparison of Plan Benefits

Coverage Description	**CURRENT PLAN** Harvard HMO Silver 5000 LP	**RECOMMENDED PLAN** Access Blue New England HMO AB 25 (Prescription Plan 2)
Office Visit: PCP/Specialist	$40/$80	$25/$50
Preventive Care	100%	100%
Chiropractic Care	$40 Copay - 12 Visit Cap	$25 Copay – Unlimited Visits
Deductible	$5,000 Single/$10,000 Family	$3,000 Single/$9,000 Family
Out of Pocket Max	$7,900 Single/$15,800 Family	$5,000 Single/$10,000 Family
Hospital: In & Outpatient	80% After Deductible	100% After Deductible
Ambulatory Surgery Center	Select LP $250 Copay, Otherwise 80%	SOS Facility $0, Otherwise Std Copay or Deductible
X-Ray/Lab - Outpatient	80% After Deductible	SOS Facility $0, Otherwise Std Copay or Deductible
Lab Services - Independent	100% Select LP	SOS Facility $0, Otherwise Std Copay or Deductible
MRI and CT Scans	Hospital - 80% After Deductible; Non-Hospital $300 Copay	SOS Facility $0, Otherwise Std Copay or Deductible
Emergency Room Copay	After Deductible $350 Copay	$150 Copay
Urgent Care Center Copay	Convenience Care Clinic $40 Urgent Care Center $50 Hospital Urgent Care $175	Network Walk-in Clinic $25 Urgent Care $75 (Urgent Care defined as a licensed hospital's Urgent Care Facility)

Coverage Description	**CURRENT PLAN** Harvard HMO Silver 5000 LP	**RECOMMENDED PLAN** Access Blue New England HMO AB 25 (Prescription Plan 2)
Physical, Speech & Occupational Therapy	$60 Copay – Max 20 Visits/ Therapy Type	$25 Copay – Combined Maximum of 60 Visits/Year
Durable Medical Equipment	80% After Deductible	80% After $100 Deductible
Mental Health Benefit (Inpatient/IP, Outpatient/OP)	IP 80% After deductible; OP $40 Copay	IP Standard Deductible; OP Std PCP or Specialist Copay
Prescriptions	Tier 1: $5 Retail/$10 Mail Tier 2: $35 Retail/$70 Mail Tier 3: $80 Retail/$160 Mail Tier 4: 40% Coinsurance Tier 5: 45% Coinsurance (Tier 4 & 5 Max Coinsurance $550 Retail /$1,100 Mail)	Retail - $10/$20/$45 Mail Order - $10/$20/$70 (90-Day Supply) (Maintenance Prescriptions Must be Filled by CVS/CareMark Mail Order Service)

Note: For HealthTrust plans, any service that says "Standard Deductible" is covered 100% by the plan once that individual's deductible ($3,000) or the family's deductible ($9,000) is met.

Comparison of Plan Costs

Coverage Description	**CURRENT PLAN** Harvard HMO Silver 5000 LP	**RECOMMENDED PLAN** Access Blue New England HMO AB 25 (Prescription Plan 2)
Monthly Premium	$28,050	$21,603
Annual Premium	**$336,600** *(Applies thru August 31, 2020)*	**$259,243** *(Applies thru June 30, 2021)*
Premium Reduction	$0	**($77,366)**
HRA Liability (Worst Case)	$281,200	$75,000
HRA Budget Amount	$148,000	$45,000
Health Care Budget (Premiums + HRA)	$484,600	$304,243
Town FSA Contribution ($500 per Employee)	$0	$10,500
Town FSA Match (Assumes 100% Participation @ $500/Emp. Which is Unlikely)	$0	$10,500
Town FSA 'Risk' Budget	$0	$3,150
Total Health Care Budget (Premiums + HRA + FSA)	**$484,600**	**$328,384**
Medical Insurance Budget Reduction (Line 4155.210)	$0	**($156,216)**[21]

(End of Report – Appendices Follow)

[21] A portion of this reduction is used to increase total employee compensation by adjusting the pay matrix. See the Final Recommendations section.

List of Appendices

Appendix I - Best Health Care Plan Options

Coverage Description	NEEBCo Offerings: *CURRENT PLAN* Harvard HMO Silver 5000	NEEBCo Offerings: *Option I* Anthem Silver HMO 3000	NEEBCo Offerings: *Option II* Anthem Silver HMO 5000	HealthTrust Offerings: *RECOMMENDED PLAN* Access Blue HMO AB 25	HealthTrust Offerings: *Option II* Access Blue HMO AB 30
Office Visit/PCP/Specialist	$40/$80	$40/$80	$40/$80	$25/$50	$30/$60
Preventive Care	100%	100%	100%	100%	100%
Chiropractic Care	$40 Copay - 12 Visits	$40 Copay - 12 Visits	$40 Copay - 12 Visits	$25 - Unlimited	$30 - Unlimited
Calendar Year or Fiscal Year	Calendar Year	Calendar Year	Calendar Year	Calendar or Fiscal Year	Calendar or Fiscal Year
Deductible (Ind/Fam)	$5,000/$10,000	$3,000/$6,000	$5,000/$10,000	$3,000/$9,000	$5,000/$12,000
Out of Pocket Max (Ind/Fam)	$7,900/$15,800	$7,350/$14,700	$7,500/$15,000	$5,000/$10,000	$7,150/$14,300
Hospital: In & Outpatient	80% After Deductible	80% After Deductible	100% After Deductible	100% After Deductible	100% After Deductible
Ambulatory Surgery Center	$250 Copay Select LP	$250 Copay	$250 Copay	SOS Facility $0, Otherwise Std Copay or Deductible	SOS Facility $0, Otherwise Std Copay or Deductible
X-Ray/Lab - Outpatient	80% After Deductible	80% After Deductible Freestanding X-Ray $150 Copay	100% After Deductible Freestanding X-Ray $150 Copay	SOS Facility $0, Otherwise Std Deductible	SOS Facility $125, Otherwise Std Deductible
Lab Services - Independent	100% Select LP	100%	100%	SOS Facility $0, Otherwise Std Deductible	SOS Facility $0, Otherwise Std Deductible
MRI and CT Scans	Hosp 80% After Deductible; Non-Hosp $300 Copay	80% After Deductible; Freestanding $250 Copay	100% After Deductible; Freestanding $250 Copay	SOS Facility $0, Otherwise Std Deductible	SOS Facility $125, Otherwise Std Deductible
Emergency Room Copay	$350 After Deductible	$300 After Deductible	$300 After Deductible	$150 Copay	$250 Copay
Urgent Care Center Copay	$40, $50 or Hospital Deductible /$175	OV $100, OP 80% After Deductible	OV $100, OP 100% After Deductible	$75	$100
Phys, Speech & Occ. Therapy	$60 Copay, 20 Visits/Therapy	OV $40 Copay, OP 80% After Deductible, 20 Visits/Therapy	OV $40 Copay, OP 100% After Deductible, 20 Visits/Therapy	60 Visits, $25 Copay	60 Visits, $30 Copay
Durable Medical Equip.	80% After Deductible	80% After Deductible	100% After Deductible	80% After $100 Deductible	80% After $100 Deductible
Mental Health Benefit	IP 80% After Deductible, OP $40 Copay	IP/OP 80% After Deductible, OV $40 Copay	IP/OP 100% After Deductible, OV $40 Copay	IP Std Deductible / OP Std PCP or Specialist Copay	IP Std Deductible / OP Std PCP or Specialist Copay
Prescription Benefits	$5 Tier 1/$35 Tier 2 $80 Tier 3/40% Tier 4/45% Tier 5 Tier 4 & 5-$550 per Rx Max	$3 Tier 1a/$25 Tier 1b Greater of $50 or 30% to $300 Tier 2 Greater of $80 or 30% to $300 Tier 3 30% to $500 Tier 4	$3 Tier 1a/$25 Tier 1b Greater of $50 or 30% to $300 Tier 2 Greater of $80 or 30% to $300 Tier 3 30% to $500 Tier 4	R10/25/40 M10/40/70	R10/25/40 M10/40/70
Total Annual Premium	$336,600	$321,097	$305,126	$259,234	$239,192
Premium Cost vs Current	**$0**	**($15,503)**	**($31,474)**	**($77,366)**	**($97,408)**
Max HRA Liability	$281,200	$260,300	$266,000	$75,000	$107,000
HRA Budget	$148,000	$137,000	$140,000	$45,000	$60,000
HRA Budget vs Current	**$0**	**($11,000)**	**($8,000)**	**($103,000)**	**($88,000)**
Total Premiums + HRA	$484,600	$458,097	$445,126	$304,234	$299,192
Total Cost vs Current	**$0**	**($26,503)**	**($39,474)**	**($180,366)**	**($185,408)**
Applied HealthTrust Rule Limiting HRA to 50% of Deductible (i.e., Report Scenario 2)		**($133,503)**	**($129,474)**		

Appendix II

Hypothetical Scenarios of Employee Out-of-Pocket Costs

Notes: 1) These are three scenarios of enrollee costs under HealthTrust's AB 25 plan (HT) versus the current NEEBCo Harvard Pilgrim Silver Plan (NB). These are not actual claims, merely hypotheticals which are provided for comparative purposes only. 2) Some services have much lower employee out of pocket costs (as low as $0) if provided at an approved HT Site of Service (SOS) location or NB Low-Cost Provider (LP). 3) Exactly when coinsurance applies after deductibles are met can be very complex to model so we've not tried to get that specific. 4) *Beyond the "Town FSA Direct Contribution" of $500 shown as a credit in each scenario below, the Town offers an additional $500 in matching FSA contributions for those employees who contribute more than $500 of their own funds into their FSA (i.e., Town matches employee FSA contributions between $501-$1,000). Where this is optional, and considering there is no certainty which employees will participate, these matching FSA funds are not reflected below (see Final Recommendations #5 on Pg 24 & 25 & FSA Definition on Pg 5).*

	Unit Cost		Total Cost	
Employee #1 - Single Coverage	**HealthTrust**	**NEEBCo**	**HealthTrust**	**NEEBCo**
5 PCP Visits	$25	$40	$125	$200
3 Specialist Visits (i.e. Rheumatologist, Neurologist)	$50	$80	$150	$240
1 Emergency Room Visit (Copay Only)	$150	$350	$150	$350
1 MRI - Independent Radiology Lab ($1,495 Claim) (HT SOS - NB Copay)	$0	$300	$0	$300
1 Meniscus Repair @ Ambulatory Surgical Center ($11,935 Claim) (Not HT SOS or NB LP - Deductible Applies)	$11,935	$11,935	$11,935	$11,935
12 Generic Meds @ Pharmacy (Tier 1)	$10	$5	$120	$60
4 Preferred Meds Mail Order 90-Day (Tier 3)	$70	$160	$280	$640
Copayments			$825	$1,790
(Single Max Deductible: HT $3,000 - NB $5,000) *Deductibles (Max $$ Reached)*			$3,000	$5,000
(Single Max OOP: HT $5,000 - NB $7,900) *Initial Out of Pocket Costs*			$3,825	$6,790
(HT 50% of Deductibles - NB 100% of Costs > $500) *Town HRA Reimbursements Per Policy*			($1,500)	($6,290)
Town FSA Direct Contribution			($500)	
			HealthTrust	**NEEBCo**
(See Note 4 Above) Total Employee Out-of-Pocket Cost After HRA & FSA			**$1,825**	**$500**

	Unit Cost		Total Cost	
Employee #2 - Two Person Coverage (Same Limits as Familiy Coverage)	**HealthTrust**	**NEEBCo**	**HealthTrust**	**NEEBCo**
Employee Medical Costs:				
2 PCP Visits	$25	$40	$50	$80
2 Specialist Visits (Allergist)	$50	$80	$100	$160
1 Urgent Care Facility - Flu (Copay)	$75	$50	$75	$50
2 Preferred Meds @ Retail Pharmacy (Tier 3)	$40	$80	$80	$160
Copayment Subtotal			$305	$450
Deductible Subtotal			$0	$0
Initial Out-of-Pocket Cost Subtotal			$305	$450
Spouse Medical Costs:				
4 PCP Visits	$25	$40	$100	$160
1 PCP Preventative Care Visit	$0	$0	$0	$0
Broken Leg Event				
1 Emergency Room Visit (Copay)	$150	$350	$150	$350
1 In-Hosp X-Ray ($375 Claim) (Deductible)	$375	$375	$375	$375
1 In-Hosp Surgeon Set/Cast ($900 Claim) (Deductible)	$900	$900	$900	$900
1 Surgeon Office Visit (F/U & Cast Removal) (Copay)	$50	$80	$50	$80
Copayment Subtotal			$300	$590
Deductible Subtotal			$1,275	$1,275
Initial Out-of-Pocket Cost Subtotal			$1,575	$1,865
Total Family Copayments			$605	$1,040
(Family Max Deductible: HT $9,000 - NB $10,000) *Total Family Deductibles*			$1,275	$1,275
(Family Max OOP: HT $10,000 - NB $15,800) *Total Family Initial Out of Pocket Costs*			$1,880	$2,315
(HT 50% of Deductibles - NB 100% of Costs > $1,000) *Town HRA Reimbursements Per Policy*			($638)	($1,315)
Town FSA Direct Contribution			($500)	
			HealthTrust	**NEEBCo**
(See Note 4 Above) Total Employee Out-of-Pocket Cost After HRA & FSA			**$743**	**$1,000**

Appendix II (Continued)

Hypothetical Scenarios of Employee Out-of-Pocket Costs

	Unit Cost		Total Cost	
Employee #3 - Family Coverage (Material Medical Events Experienced)	**HealthTrust**	**NEEBCo**	**HealthTrust**	**NEEBCo**
Employee Medical Costs:				
3 PCP Visits	$25	$40	$75	$120
1 PCP Preventative Care Visit	$0	$0	$0	$0
1 Specialist Visits (Gastro)	$50	$80	$50	$80
1 Hospital Stay for Heart Stents ($22,000 Claim) (Deductible)	$22,000	$22,000	$22,000	$22,000
4 Preferred Medication Mail Order 90-Day (Tier 2 HT - Tier 3 NB)	$40	$160	$160	$640
Copayment Subtotal			$285	$840
Deductible Subtotal (Max Individual $$ Reached)			$3,000	$5,000
Initial Out-of-Pocket Cost Subtotal			$3,285	$5,840
Spouse Medical Costs {Cancer Diagnosis & Treatment):				
1 PCP Visit for Symptoms	$25	$40	$25	$40
1 CT Scan - Not SOS or LP Location ($1,750 Claim) (Deductible)	$1,750	$1,750	$1,750	$1,750
1 MRI at HT SOS - NB Non-Hosp Location ($1,495 Claim) (Copay)	$0	$300	$0	$300
1 Specialist Visit for Diagnosis and Treatment Plan Consultation	$50	$80	$50	$80
1 Specialist Visit for Second Opinion	$50	$80	$50	$80
1 Surgery - Infusion Port at HT SOS or NB LP ($5,500 Claim) (Copay)	$0	$250	$0	$250
10 Wkly Oncology, Labs, Chemo Infusions ($125,000 Claim) (Deductible)	$12,500	$12,500	$125,000	$125,000
1 Inpatient Hospitalization and Surgery ($35,000 Claim) (Deductible)	$35,000	$35,000	$35,000	$35,000
21 Daily Radiation Treatments ($39,000 Claim) (Deductible)	$1,857	$1,857	$39,000	$39,000
6 Specialist Vists for Ongoing Care (Separate From Chemo Pkg) (Copay)	$50	$80	$300	$480
Copayment Subtotal			$425	$1,230
Deductible Subtotal (Max Individual $$ Reached)			$3,000	$5,000
Initial Out-of-Pocket Cost Subtotal			$3,425	$6,230
Son's Medical Cost:				
1 PCP Preventative Care Visit	$0	$0	$0	$0
2 Urgent Care Visits (Stiches) (Copay)	$75	$50	$150	$100
Broken Leg Event				
1 Emergency Room Fee (Copay)	$150	$350	$150	$350
1 In-Hosp X-Ray ($375 Claim) (Deductible)	$375	$375	$375	$375
1 In-Hosp Surgeon Set/Cast ($900 Claim) (Deductible)	$900	$900	$900	$900
1 Surgeon Office Visit (F/U & Cast Removal) (Copay)	$50	$80	$50	$80
Copayment Subtotal			$350	$530
Deductible Subtotal			$1,275	$1,275
Initial Out-of-Pocket Cost Subtotal			$1,625	$1,805
Total Family Copayments			$1,060	$2,600
(Family Max Deductible: HT $9,000 - NB $10,000) *Total Family Deductibles*			$7,275	$10,000
(Max Family $$ Reached - NB Only)				
(Family Max OOP: HT $10,000 - NB $15,800) *Total Family Initial Out of Pocket Costs*			$8,335	$12,600
(HT 50% of Deductibles - NB 100% of Costs > $1,000) *Town HRA Reimbursements Per Policy*			($3,638)	($11,600)
Town FSA Direct Contribution			($500)	
			HealthTrust	**NEEBCo**
(See Note 4 Above) Total Employee Out-of-Pocket Cost After HRA & FSA			**$4,198**	**$1,000**

Appendix III – Summary of Budget Impact

Medical Insurance Budget Line 4155.210 - FY20 (See Note at Bottom of This Page)			
Medical Insurance Premiums	$336,600		
Health Reimbursement Arrangement (HRA)	$148,000		
Total Medical Line Budget	**$484,600**		
Proposed Medical Insurance Budget - FY21		**Initial Budget Savings**	
Medical Insurance Premiums	$259,234	($77,366)	
Health Reimbursement Arrangement (HRA)	$45,000	($103,000)	
Total Medical Line Budget	**$304,234**	**($180,366)**	
Addition of Flexible Spending Accounts (FSA) - FY21			
FSA Direct Contribution (21 @ $500)	$10,500		
FSA Matching Contribution (21 @ $500) (Budgeted 100% Participation Which is Unlikely)	$10,500		
FSA 'Risk' Budget (15%)	$3,150	**Budget Savings w_FSA**	
Total FSA Budget	**$24,150**	**($156,216)**	
Total Compensation Increase - July 1, 2020 Offsets Risk of Increased Employee Out of Pocket Expenses		**Matrix Change to Adjust Total Compensation**	
Compensation Increases	$72,905	**4.50%**	***Separate & Apart From Any FY21 Step & COLA Increases***
Related NH Retirement System Cost Increase	$10,256		
Related Payroll Tax Increase	$4,111	**GRAND TOTAL FY21 BUDGET SAVINGS ($68,944)**	
Total Compensation Related Increases	**$87,272**		
Info Only - Effect of Compensation Increase For Employees Qualifying for Medical Insurance			
Average Comp Increase	$2,082		
Median Comp Increase	$1,935		
Highest Comp Increase	$3,089		
Smallest Comp Increase	$1,391		

Note: The FY20 Medical Insurance Budget data shown at the top of this page is slightly different (~ $13K higher) than the actual FY20 approved budget . This is due to a number of factors including our using the 09/01/2019 early renewal medical rates and our decision to stabilize all medical cost analysis by basing it on the employee coverages and census as of 01/01/19. As noted in the report text, the census is a moving target so we locked in on that date for all of our analysis.

Appendix IV – Total Compensation Change (Pay Matrix Revision)

<u>Existing</u> Town of Sanbornton Pay Matrix - Effective July 1, 2019

Included a 2.0% COLA Increase

STEP - 2.50%

GRADE - 7.00%	1	2	3	4	5	6	7	8	9	10	
1	$8.02	$8.21	$8.42	$8.63	$8.84	$9.07	$9.29	$9.53	$9.76	$10.01	**1**
2	$8.57	$8.78	$9.01	$9.23	$9.47	$9.70	$9.95	$10.19	$10.44	$10.71	**2**
3	$9.17	$9.40	$9.64	$9.87	$10.13	$10.37	$10.64	$10.90	$11.18	$11.45	**3**
4	$9.81	$10.06	$10.31	$10.57	$10.83	$11.11	$11.38	$11.67	$11.95	$12.26	**4**
5	$10.51	$10.77	$11.04	$11.31	$11.60	$11.89	$12.19	$12.50	$12.80	$13.13	**5**
6	$11.24	$11.53	$11.81	$12.11	$12.41	$12.72	$13.04	$13.36	$13.70	$14.05	**6**
7	$12.03	$12.33	$12.64	$12.95	$13.28	$13.61	$13.95	$14.30	$14.66	$15.02	**7**
8	$12.87	$13.19	$13.53	$13.86	$14.21	$14.56	$14.92	$15.30	$15.68	$16.08	**8**
9	$13.77	$14.12	$14.46	$14.83	$15.20	$15.58	$15.97	$16.37	$16.78	$17.20	**9**
10	$14.73	$15.10	$15.47	$15.86	$16.26	$16.67	$17.09	$17.51	$17.95	$18.40	**10**
11	$15.77	$16.16	$16.56	$16.98	$17.40	$17.84	$18.29	$18.75	$19.21	$19.70	**11**
12	$16.86	$17.29	$17.72	$18.17	$18.62	$19.08	$19.55	$20.04	$20.55	$21.06	**12**
13	$18.04	$18.49	$18.96	$19.43	$19.92	$20.42	$20.93	$21.45	$21.99	$22.53	**13**
14	$19.31	$19.79	$20.29	$20.80	$21.31	$21.85	$22.39	$22.95	$23.52	$24.11	**14**
15	$20.67	$21.19	$21.72	$22.26	$22.81	$23.38	$23.96	$24.56	$25.17	$25.81	**15**
16	$22.10	$22.65	$23.23	$23.81	$24.40	$25.01	$25.63	$26.28	$26.93	$27.60	**16**
17	$23.65	$24.25	$24.86	$25.48	$26.11	$26.76	$27.44	$28.12	$28.83	$29.54	**17**
18	$25.32	$25.95	$26.59	$27.25	$27.94	$28.64	$29.36	$30.09	$30.84	$31.61	**18**
19	$27.08	$27.76	$28.46	$29.16	$29.90	$30.64	$31.41	$32.19	$33.00	$33.82	**19**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	

<u>Proposed</u> Town of Sanbornton Pay Matrix - Effective July 1, 2020

Includes 4.50% Total Compensation Increase As Proposed By Health Insurance Study Committee

<u>EXCLUDES</u> Step & COLA Increases for FY21 Which Would Be Additive to These Rates

STEP - 2.50%

GRADE - 7.00%	1	2	3	4	5	6	7	8	9	10	
1	$8.38	$8.59	$8.81	$9.03	$9.25	$9.48	$9.72	$9.96	$10.21	$10.47	**1**
2	$8.97	$9.19	$9.42	$9.66	$9.90	$10.15	$10.40	$10.66	$10.93	$11.20	**2**
3	$9.60	$9.84	$10.08	$10.33	$10.59	$10.86	$11.13	$11.41	$11.69	$11.98	**3**
4	$10.27	$10.52	$10.79	$11.06	$11.33	$11.62	$11.91	$12.20	$12.51	$12.82	**4**
5	$10.99	$11.26	$11.54	$11.83	$12.13	$12.43	$12.74	$13.06	$13.38	$13.72	**5**
6	$11.75	$12.05	$12.35	$12.66	$12.97	$13.30	$13.63	$13.97	$14.32	$14.68	**6**
7	$12.58	$12.89	$13.21	$13.54	$13.88	$14.23	$14.59	$14.95	$15.32	$15.71	**7**
8	$13.46	$13.79	$14.14	$14.49	$14.85	$15.23	$15.61	$16.00	$16.40	$16.81	**8**
9	$14.40	$14.76	$15.13	$15.51	$15.89	$16.29	$16.70	$17.12	$17.54	$17.98	**9**
10	$15.41	$15.79	$16.19	$16.59	$17.01	$17.43	$17.87	$18.32	$18.77	$19.24	**10**
11	$16.49	$16.90	$17.32	$17.75	$18.20	$18.65	$19.12	$19.60	$20.09	$20.59	**11**
12	$17.64	$18.08	$18.53	$19.00	$19.47	$19.96	$20.46	$20.97	$21.49	$22.03	**12**
13	$18.88	$19.35	$19.83	$20.33	$20.83	$21.36	$21.89	$22.44	$23.00	$23.57	**13**
14	$20.20	$20.70	$21.22	$21.75	$22.29	$22.85	$23.42	$24.01	$24.61	$25.22	**14**
15	$21.61	$22.15	$22.70	$23.27	$23.85	$24.45	$25.06	$25.69	$26.33	$26.99	**15**
16	$23.12	$23.70	$24.29	$24.90	$25.52	$26.16	$26.82	$27.49	$28.17	$28.88	**16**
17	$24.74	$25.36	$25.99	$26.64	$27.31	$27.99	$28.69	$29.41	$30.15	$30.90	**17**
18	$26.47	$27.14	$27.81	$28.51	$29.22	$29.95	$30.70	$31.47	$32.26	$33.06	**18**
19	$28.33	$29.04	$29.76	$30.50	$31.27	$32.05	$32.85	$33.67	$34.51	$35.38	**19**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	