

A meeting of the Town Board of the Town of Moreau to discuss health insurance was held on October 30, 2012 in the Town of Moreau Office Building, 61 Hudson Street, South Glens Falls, New York.

Supervisor Jenkins called the meeting to order at 6:03 p.m.

The Town Clerk called the roll.

Town Board Members Present

Robert J. Vittengl, Jr.	Councilman
Bob Prendergast	Councilman
Gina LeClair	Councilwoman
Todd Kusnierz	Councilman (Arrived at 6:20 p.m.)
Preston Jenkins	Supervisor

Town Board Members Absent

None

Also Present: Jeanne Fleury, Town Clerk; Fran Thibodeau, Principal Account Clerk; Rudy Klick, Special Projects Aide; Chris Hagen from Marshall & Sterling

Supervisor Jenkins started the discussion by saying that it seems to make sense to change to a high deductible health insurance plan with CDPHP. The deductible for a single plan would be \$3,500.00 and the deductible for a family plan (2 or more) would be \$7,000.00. The sheet prepared by Fran Thibodeau shows a significant savings on the family plan.

Fran Thibodeau stated that according to her calculations the Town would lose \$2,000.00 a year if every employee reached their deductible limit. She figured Guardian at a 15% increase.

Chris Hagen stated that the Guardian Plan the Town has now is priced at a competitive level and he didn't recommend changing that plan. CDPHP does have a Delta program, but the benefits don't match exactly.

Chris Hagen stated that the potential savings in health insurance by going to the high deductibles is substantial. The utilization rate for HRA's is typically 60% and with utilization rate of 60% the Town would be looking at a \$50,000.00 savings. In the last three years he hasn't had anyone utilize 100% of the HRA under the high deductible plan.

Supervisor Jenkins stated that it appears our employees can save money and we can save money; so is the insurance company losing money?

Chris Hagen stated this type of program was developed to impact utilization. The thought is that if there is an upfront deductible then the people would change their behaviors so they don't have to spend their own money on a deductible. He stated that most employers are having their employees pick up part if not all of the deductible even if it is the last \$500.00 of the individual deductible or \$1,000.00 of the family deductible. It has an impact on how people use the benefits. People have forgotten and lost track of what health insurance costs.

Supervisor Jenkins stated that the Town would have issues with employees if the Town asked them to pick up the co-pays. The Town doesn't have the highest paid employees so we have a great insurance plan to keep them here. If we don't give them a good insurance plan they may leave.

Chris Hagen stated that is why he suggested the Town pay the full deductible so the employee doesn't have a co-pay going to the doctor, it is paid in full. If they are an in-patient it is paid in full. Prescriptions while they are in the deductible period are paid in full. There are no out-of-pocket costs for outpatient ER. The only time the employees have to pay is when the deductible is met then they have to pay prescription co-payments of \$10/\$40/\$80. If they had a generic medication after the deductible is met they pay the co-payment of \$10.00. They would never, regardless of whether it is in the deductible period or after, have to pay for a doctor's co-payment, a hospital co-payment or an ER co-payment. It is all paid in full whether they meet their deductible or

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not. For an individual plan once the \$3,500.00 deductible is met there is a \$4,500.00 out-of-pocket maximum under the plan and that takes into account the \$3,500.00 deductible. The first \$3,500.00 of the \$4,500.00 out-of-pocket maximum is the deductible and the only thing that can be applied to the \$1,000.00 difference and the only thing an employee would have to pay for are the prescription co-payments. Even in the event there is an employee who has so many prescriptions at the \$10/\$40/\$80 co-payments and they exceed the \$1,000.00 even then their prescription drugs would be free.

Councilwoman LeClair asked if the insurance company would pick them up and not the Town. Chris replied yes.

Chris explained that the way the health reimbursement account works is that you are basically saying that you are going to pay up to and not to exceed \$3,500.00 for a single plan and up to and not to exceed \$7,000.00 for a family plan. You would never pay a penny more than that.

Councilwoman LeClair said she was concerned about the drug plan. If someone had cancer and needed very expensive drugs what would happen. Would they pay the \$80.00 co-pay?

Chris used as an example a child with hemophilia, which requires very expensive medications to treat. The most a family would pay out-of-pocket in this scenario would be \$1,000.00. The most the Town would have to pay is \$7,000.00 for a family plan. CDPHP would take care of the rest.

Chris stated that preventative services are covered in full and not applied to the deductible so the Town and the member are not paying for it.

Chris stated that in regards to preventative medications such as cholesterol and high blood pressure medication, etc... CDPHP has found that if an employer who offers a \$3,500.00 and \$7,000.00 plan and they tell their employees that they are responsible for the deductible and the employer will pay the premium or share the premium then the employee stops taking their preventative medications, because suddenly they have this big deductible. CDPHP has said they don't want to see this happen, because a person who stops taking their high blood pressure medicine could end up as an in-patient in the hospital with a heart attack. There is a correlation between not taking these medications and high hospital claims later on. So CDPHP said they would pull it out of the plan and just go to having a co-payment. Even while you are in the deductible period, if you take a preventative medication in the generic form and you go to the pharmacy to fill the prescription then you will pay the \$10.00 co-pay. The way it is applied is a little confusing. The \$10.00 co-payment is not applied to the deductible. It is applied to the out-of-pocket maximum. If there is an employee who pays the \$10.00 co-payment each month for six months for a prescription and they use the debit card provided to pay the \$10.00 each month then that \$10.00 per month is going to come out of the HRA from the Town. The Town is only going to pay \$3,500.00. He used the following scenario: If a person only spends \$60.00 during a six month period and then falls down a flight of stairs and they have to go to the hospital with a broken leg and they spend the night and have a little surgery to repair the break then obviously they will meet their \$3,500.00 deductible for a single plan. In this scenario the Town is only going to pay \$3,440.00, because they already spent \$60.00 on preventative medication. So the employee will get an invoice stating that this was applied to your deductible, you have now met your deductible and you owe \$60.00. The only reason is because they spent \$60.00 on preventative medication co-payments. He said it is a wash at the end of the year.

Fran Thibodeau asked who would bill the employee.

Chris Hagen replied that the hospital would submit right to CDPHP and CDPHP would adjudicate the claim and they would apply the deductible. In the scenario above where a person had six prescriptions for preventative medications and they met zero of their deductible the invoice would read that they met their deductible of \$3,500.00. There would only be \$3,440.00 left in the HRA so CDPHP would send it to the hospital and the employee would then get an invoice showing everything that happened and showing that \$3,440.00 was paid to the hospital and the patient responsibility is \$60.00.

(Councilman Kusnierz entered the meeting at 6:20 p.m.)

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Supervisor Jenkins asked what happens if after all this an employee goes for another prescription drug. Would the pharmacy take the co-payment right there? The answer was yes.

Chris Hagen added that after that, everything would be paid for. If the leg got infected and the person needed to rush to the doctor the cost would be paid 100%. If the person needed an ambulance to rush them to the ER then it would be paid 100%. Nothing at that point would be the responsibility of the member. Just the prescription drug co-payments would be the responsibility of the member after the deductible is met. Councilwoman LeClair said after the \$1,000.00 and Chris replied yes and added, up to your out-of-pocket maximum. There is a \$4,500.00 out-of-pocket maximum under this plan for an individual. Councilwoman LeClair said the \$3,500.00 individual plus the \$1,000.00 insurance and Chris replied yes. Chris then stated that the difference between the deductible and the out-of-pocket cap is the \$1,000.00 and the only thing that can be applied to the \$1,000.00 are the prescription co-payments, not the cost of the prescriptions just the co-payments. A person would have to have twenty-five \$40 co-payments to reach the \$1,000.00. Then if they go for your 26th prescription the prescription would be free and no co-payment. Councilwoman LeClair said the most it would be for an employee out-of-pocket for a year would be \$1,000.00. Chris replied yes even for a family.

Councilwoman LeClair asked what the best way was for the board to explain this to the employees and started to describe how she was going to explain it when Chris interjected and replied that the board should tell them that the only way they are going to have to spend \$1,000.00 out-of-pocket is if they spend the \$3,500.00 or \$7,000.00 deductible. At that point there will be a co-payment on each prescription, but if there are so many prescriptions that they total \$1,000.00 even then the plan will pay for the additional prescriptions for free. What employees like about this program is that they do not have to put any money out and then have to chase it to get it back. Chris stated that the employee will give the doctor a card and they won't ask for any money. The doctor will submit a claim electronically to CDPHP and CDPHP will pay the claim and take the money out of the HRA and pay the doctor and the employee is out of the loop.

Councilwoman LeClair asked Fran Thibodeau how it feels to her.

Fran Thibodeau stated that the employees will see the amount that they have deducted from their paychecks reduced in half for their contribution to health insurance costs. She stated that the only time they would have to pay the \$1,000.00 would be in the event of an accident. Chris replied that they wouldn't have to pay the \$1,000.00 for an accident. They would only have to pay the \$1,000.00 if they had to have prescription drugs after the accident.

Supervisor Jenkins stated that if the employees did it right and took the savings from their paycheck each week that they are saving in contributions towards health insurance and saved it then they would have more than the \$1,000.00 put away. Some of the singles might not, but it is very close.

Councilman Prendergast said it sounds complex and the explanation is harder, but the application of it is going to be easier.

Supervisor Jenkins said that the first problem is going to be the person who gets a bill for \$350.00 for some reason after they used up their \$3,500.00 deductible. They will have to pay that \$350.00.

Chris Hagen stated that he will go to painstaking effort to make sure they understand that you are going to pay \$3,500.00 and \$7,000.00 for them and explain why and hopefully they will understand. He also suggested that when you go to the pharmacy for a preventative medication while you are in that deductible period and you are otherwise a healthy person don't use your card pay cash. He said they will look at you kind of funny, because the card works and they don't want you to pay cash, they would rather have your HRA pay for it. You say to them yes, you would rather have the HRA pay for it, but if there is some kind of accident or some kind of illness and you meet that deductible then at the end of the year in essence you will be paying that money back. There is a debit card only for the pharmacy. You won't need it for the doctor or hospital or ancillary. When you are at a pharmacy they will expect payment at the time of service so you will be given a card with your HRA dollars on it.

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Chris Hagen advised that the high deductible plan being considered by the board is an EPO. An employee is covered anywhere in the country as long as the doctor or hospital are participating. Pre-approval is not required to be treated at these facilities.

Councilman Prendergast asked if the most an employee will ever have to take out of their pockets is \$1,000.00 and the answer was yes. He asked how this compares with what they are paying now out of their pocket.

Chris Hagen replied that right now the employees pay a \$25.00 co-pay and they get \$15.00 back.

Councilman Prendergast said that is what will sell the plan is if they don't have to take out anymore or better yet they have to take out less and all the paperwork goes away.

Supervisor Jenkins said that a single person, if they pay the full \$1,000.00 will be out \$352.96, that is what they will actually be paying and that they are not going to save what is coming out of their pay. That doesn't take into account the fact that they can have these other co-pays that they haven't had to pay during the year. So there is a good chance that if they go up to the \$1,000.00 then they would have had to pay the \$352.96 anyway and the rest they save in payroll deductions.

Councilman Prendergast said he thinks they can sell this. He would take that plan.

Chris Hagen stated that if a person meets the \$4,500.00 deductible then chances are they would have spent a lot of money in co-payments so it is probably a wash for them. The two person/family plan you are saving a lot of money.

Chris Hagen asked about the highway union. Supervisor Jenkins said he was going to meet with them Thursday and he will discuss it briefly with them and then try to schedule a meeting with them to go over it.

Fran Thibodeau asked Supervisor Jenkins if he wanted Chris at that meeting and Supervisor Jenkins replied no, it is going to be preliminary discussion and the meeting is actually for other matters.

Fran Thibodeau asked how much time the board has to decide and Chris replied that he would like a decision by the week of the 5th of November. He said he should be able to get the enrollment materials together rather quickly.

Supervisor Jenkins stated that as far as he was concerned they could start the process of changing over to this plan for all employees except the highway union employees.

A motion was made by Councilman Prendergast and seconded by Councilwoman LeClair to adjourn the meeting at 6:35 p.m.

Roll call vote resulted as follows:

Councilman Vittengl	Yes
Councilman Prendergast	Yes
Councilwoman LeClair	Yes
Councilman Kusnierz	Yes
Supervisor Jenkins	Yes

Meeting adjourned.

Respectfully submitted,

Jeanne Fleury
Town Clerk