

Employee Health Care Options Survey Frequently Asked Questions

In December, the Health Care Task Force sent out a survey to employees asking for input on health care options we have been considering. As a reminder, the task force, which includes representatives from all departments, is developing strategies and recommendations for a sustainable, affordable healthcare plan for employees and the Town. We considered your responses to the survey carefully in our consultations. Here are answers to some frequently asked questions we received, and an explanation of the recommendations we are making for plan changes in the 2018-2019 Fiscal Year.

What does our plan cost compared to other types of plans?

Our plan is rich (e.g. co-pays aren't high, no deductible, offers many benefits, etc.). Therefore, it costs more than many other available plans. The Town currently pays over \$750 per covered employee per month. Although the employee share feels painful, the Town also heavily subsidizes dependent policy costs. The costs increase every year, making it unsustainable long term.

Why are our health insurances costs going up? What is driving our costs?

Every time BCBS has to pay out, that is called a claim. The more **claims** we make, the more BCBS is paying out, and so they will want to increase our premiums accordingly. Insurance is there to be used when needed, and we want everyone to go to the doctor when they need to. Ideally, the many healthy people on the plan to help balance the effect. In order to decrease claims in the long term, the Clinic staff and the Wellness@Work team are working on strategies to increase access to the Clinic and help employees better manage their health. These plans cost money, so we need to save on premiums in the short term in order to have the money to invest in the Wellness@Work program.

We can also decrease claims by seeking the appropriate level of care for our needs. Using an unnecessarily high level of care when other options are available drives up cost (for example, going to the ER for a stubbed toe when you have full movement/sensation, no clotting issues to consider, and the Wellness@Work clinic or your doctor's office is open). This was a significant cost driver when the 2009 Health Care Task Force met. The increased ER copay helped to encourage people to go to urgent care or their regular doctor instead of the ER, and this helped lower claims significantly. We want people to go to the ER when needed, and to go to the urgent care, clinic, or doctor's office when an ER is not needed.

Another way to decrease claims is to get treatment when you need it--going to the doctor early can help stop problems from getting worse, and therefore more costly. Clinic staff are also encouraging employees to do this by making clinic services available and offering Health Risk Assessments (HRAs) which help to identify potential concerns before they become major health problems.

Another current and significant cost driver (both nationally and for ToCH) is prescription medication. However, the Town employees are already using mostly generic medications and increasing medication copays would not make a significant impact on cost savings for the Town or BCBS.

- Some new medications are extremely expensive (for example, medications for Hepatitis C, rheumatoid arthritis, some cancer drugs, etc.). Ethically, if a person

has a health issue that can be treated or cured by a medicine that is available, should you deny it due to cost? Additionally, paying for medicines to prevent or treat conditions before they require advanced care is far cheaper and preferable. The Health Insurance Task Force decided not to recommend any changes in access to prescription medications for these reasons.

- Generics can be one way to impact cost. Fortunately, our generic medication use is 83%. This percentage is considered really good. The remaining 17% likely includes prescription medications that are not yet available as generics. Further cost savings through this method are unlikely.

In the short term, we need to find ways to **decrease our premiums** enough to keep the premiums affordable for both the Town budget and our employees who pay part of the premium out of their paychecks, such as for dependent care or part-time employees. **Short term savings mean we'll have extra room in our budget to fund long-term cost-saving plans through Wellness@Work.**

If we change our plan, will we lose potential job applicants to other municipalities?

Our current plan is as good as or better than nearby municipalities. We are the only municipality nearby that does not have a deductible. In fact, it is extremely uncommon for any health care plan to have zero deductible. All of the plan design changes we have considered have still placed us at the head of the pack in terms of competitiveness with nearby municipalities. In addition to our excellent health insurance, we also offer many other benefits that make the Town a great place to work. You can see comparisons of our current plan with other municipalities in the original infographic that was delivered along with the survey.

How much cost are we trying to trim?

There is no exact number at this time. The emphasis has been to make healthcare costs sustainable by preventing such drastic increases as we have seen in the last few years. These increases are outpacing the Town's revenue. To achieve this, we're looking into an approach that combines both short-term savings (through plan design change) and longer-term savings (investing in specific, enhanced Clinic services).

Why aren't we shopping around or considering other companies?

During lower claim years, other companies would be willing to offer a better short-term/introductory price (much like what you encounter when shopping for cell service, cable/satellite, etc.). However, our plan costs will ultimately be similar market-wide. So, we'd end up in the same situation by the following year.

Changing insurance companies could also mean changes in provider networks. This might force employees to use new doctors, hospitals, pharmacies, etc.

Why don't we self-insure?

Insurance assumes risk (i.e. pays money for claims). In years where claims are low, this would be a great idea. However, the Town would have lost significant money other years. At this time, the Town isn't willing to accept the risk involved.

How does using a broker benefit the Town? (versus using that money towards health insurance. Are there other brokers? Could a Town employee negotiate instead? Could we pay Hill, Chesson, and Woody based on what they negotiate for us?)

Much like a real estate agent, travel agent, or doctor, brokers specialize in their industry. They study national, regional, and local trends, understand the complex minutia, and represent our interests and concerns. An employee (who would likely also have other responsibilities) probably wouldn't be as well versed. With Hill, Chesson, and Woody, we have been able to negotiate BCBS down quite a lot with every proposed rate hike.

Although it does incur an additional cost, the Town is happy with Hill, Chesson, and Woody's services and accomplishments.

How does the Wellness Clinic help us decrease health insurance costs?

Each time an employee chooses to visit the Wellness Clinic instead of another doctor's office:

- The employee saves money because it is free (no co-pay) & they can go during work hours.
- BCBS is not being billed for that visit. (Exceptions: Flu shots and some blood work done through the clinic are billed to BCBS but at a lower cost than other providers.)

BCBS looks at how much money they are billed each year in order to determine what our insurance rates are for the next year. We hope the clinic also encourages employees to seek treatment for minor illness and injury before it gets any worse. This prevents larger problems later, which means less sick time needed and less BCBS has to pay out for those potentially larger treatments. This again contributes to keeping our insurance rates low and saving Employees money out of pocket.

Can we save money on claims by bringing dependents to the clinic?

This is being included in the Clinic's strategic plans. However, this option may still be a few years out. This extra patient load requires more space, more staffing, and perhaps extended hours. The Clinic will eventually be relocated, and this move will improve our facility in many ways, and might help us move towards the goal of seeing dependents who are part of the health plan. Before we are able to say for certain that it is possible to do this, justification of the added cost also needs to be considered. Will enough dependents use Clinic services to make this cost effective? The Wellness@Work staff and committee are working on this and will provide updates as they become available.

Can Clinic services be expanded? (e.g., stitches, EKGs, cancer screenings)

The Clinic has limits as to what it can offer due to certain healthcare regulations, so it cannot function as a Primary Care office. Space, supplies, and staffing also play a role in how many and what types of services can be offered at this time.

Why did the Task Force not consider multiple tiers where employees can get basic coverage for free and pay more to get a higher level of coverage like we enjoy now?

The Task Force carefully considered this option. It would provide a small savings to the Town in insurance premiums. However, some employees would end up paying more for their health care-- either by:

- 'buying up' for better coverage (a monthly cost taken from their paycheck) or
- paying more for healthcare visits and treatments on the lower tiered plan.

Based on our research, we determined this could unfairly impact:

- Employees with spousal or family coverage
- Part-time employees who pay part of their premium.
- Employees with chronic conditions or major illnesses. If they selected a lower tier, many doctor's visit, procedures, and treatments would likely cost more.

Choosing the higher tier would cost more out of every paycheck.

Alternatively, having a deductible would probably impact less people because it is only paid for certain services (hospital stays, imaging, etc.). Based on historical data, most employees would pay none or little of the deductible each year.

Would it be possible to charge every employee a small amount (such as \$30) per pay period in order to avoid a deductible?

Unfortunately, every employee paying a small amount would not save a significant enough amount for the Town to invest in long-term solutions through Wellness@Work, and we would find ourselves facing too-high rate hikes yet again next year.

Why don't we raise copays instead of adding a deductible? What about raising the ER copay?

Increasing the copay would impact every single employee every single time they need to visit a healthcare provider (except the Clinic). The Health Care Task Force was concerned that this would deter people from seeking necessary care early. If employees see a doctor early on when the problem is still small, it prevents the problem from getting worse and more expensive.

A deductible will not impact the majority of employees because it is only charged in certain situations (like an inpatient hospital stay or imaging like CT scans). Overall, we felt a deductible would impact employees less while also providing greater savings for the Town.

The Emergency Room (ER) copay was raised in 2009 (the last policy change). It was designed to curb unnecessary ER usage. It made a big impact. ER use went down as employees started using Urgent Care or other healthcare providers. We are not considering changing ER co-pays again since the ER claims are no longer contributing significantly to the increasing cost of premiums.

Why does a healthy person have the same deductible as someone who has major health concerns?

A deductible is only paid in certain situations, such as:

- For imaging, like CT scans, MRI, etc.
- Certain facility fees (e.g., UNC, Duke, etc., providers)
- Inpatient hospital stays
- Surgeries
- Births

This is a way of contributing towards the cost of some higher claims that is strictly based on usage. Therefore, a healthy person would be unlikely to pay much of a deductible.

While the deductible is the same for everyone, only people who use those services would actually pay towards it.

How does a deductible work? When I go to my doctor's office will the visit apply to my deductible? What if I have to go to the Emergency Department and I have to pay the \$300 ER copay, will that apply to my deductible?

A deductible is a specific dollar amount that your plan may require that you pay out-of-pocket each year before your plan begins to make payments for certain claims. Deductibles apply to: inpatient hospital, outpatient hospital, maternity, MRIs, CT scans, PET scans and nuclear medicine and some other services (see attached benefit summary for a group with a deductible so you can see more details). Deductibles also apply to facility fees charges by hospital owned physicians billing as a hospital based clinic. A deductible does not apply to ER visits (not admitted – you would not pay an ER copay and deductible, you pay one or the other). It does apply to an inpatient stay that does not require surgery. Copays do not count toward the deductible. Usually, a deductible will not apply to services when you pay a copayment, except for facility fees.

Can a Flexible Spending Account help me pay the deductible?

You can put money into a Flexible Spending Account (FSA) that can be used to pay for medical, dental and vision copays and deductibles for you, your spouse, and dependent children to age 26. The amount you choose is taken out of each paycheck on a pre-tax basis. This makes you money go farther. You can rollover up to \$500 in your FSA to the next plan year, so if you put money in your FSA to have it ready to pay for the deductible, and don't need it, the money will still be available to you in the future. You have access to your full election on September 1st, so if you need to pay the deductible early in the year, you can access the full amount immediately, and the amount will continue to be taken from your paycheck throughout the year.