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September 16, 2015

Mr. David Seltz, Executive Director
Commonwealth of Massachusetts
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Dear Mr. Seltz:

1. Overall the Town of Wakefield has had a positive experience participating in the GIC. The decision to switch to the GIC has proven to be a fiscally sound decision for both the Town and its employees. The cumulative premium increase over the last three fiscal years in the GIC, including the unforeseen higher increase in this fiscal year, is lower than the projected one year increase with our former provider. As we continue to participate over the next three years we will seek to achieve economies for all subscribers. As we gain more knowledge and experience with the plans and how they work, we are better able to help our employees maximize their benefits and minimize their expenses.
2. By participating in the GIC the Town is able to provide employees a wide range of health plan options in a wide range of prices. The difference is driven by the size of network and by how successful the carriers have been at negotiating favorable rates within their networks. This interpretation of the plan offerings is largely misunderstood by our members causing some to make plan choices that do not appropriately meet their needs. Approximately 50% of our members are enrolled in the same high cost PPO plan, with the impression that it will offer them better coverage than other plans. This year I challenged our staff to educate our employees and help them find the right plans.
3. During the 2015 Open Enrollment period the Town's Human Resources staff held 12 informational seminars. An enhanced version of the Benefits at a Glance was created and presented. This snapshot was used to illustrate that no one plan has better benefits than another for top level services. Our PPO subscribers

mistakenly thought their plans offered better benefits and were very surprised to hear otherwise. Most were paying PPO premiums but using their plan like an HMO. Once they understood that they were buying access to more doctors and hospitals, we were able to help our employees find plans that better suited their needs. We saw 74 non-Medicare plan changes resulting in a premium savings of over \$225,000 for FY16.

- 4 Earlier this year we heard Delores Mitchell speak about the increases. One of our health care cost drivers was a result of our members not selecting hospitals appropriate for their needs. For example, a child is brought to Children's Hospital to be kept alive, not for a routine broken arm, which can appropriately be addressed at any local hospital. While the high cost copays may be designed to encourage members to use of lower cost providers, with our employees, it seems to creates greater demand in a high price = high value perception. Information and awareness is likely the best way to help the GIC, members and subscribers all achieve economies with regard to our healthcare choices.
- 5 We were able to improve our employees experience by helping them better manage their out of pocket costs.

Along with the PEC, the Town established the Employee Health Care Mitigation Fund (EHMF) to help defray the increased costs of out of pocket expenses built into the GIC plan design. Through an HRA account, the Town offers reimbursements for high cost copayments, lowers maximum out of pocket expense limits and offers a Health Insurance Opt Out incentive. The Town established the HRA with \$1,264,520 of expected premium savings for the first year with the GIC, and also contributed \$125,000 in year two and \$125,000 in year three. Currently in its second, three year PEC agreement, the Town will contribute an additional \$675,000 over the course of the agreement through June 30, 2018.

Members who switched from a high premium PPO to a lower cost HMO were strongly encouraged commit their premium savings to our Flex Spending "Benny Card" program to help better manage increased out of pocket expenses. With our Flex Spending program, the committed funds are immediately available on the "Benny Card" and offer the employee a way to pay for high cost out of pocket expenses in a 'credit' based system. Additionally, because these contributions are pre-tax, like health insurance, there was no loss of tax savings in the switch.

Very truly yours,

Stephen P. Maio

Stephen P. Maio
Town Administrator

This signatory is legally authorized and empowered to represent the Town of Wakefield for the purposes of this testimony. This testimony is signed under the pains and penalties of perjury.