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To: Acton-Boxborough Regional School Committee
From: Peter Light, Superintendent
Date: February 14, 2024
RE: Health Insurance Recommendation

Health Insurance has been a critical topic of discussion for the District during the development of the FY25 Budget. At this time, I recommend the school committee vote to withdraw from and dissolve the Acton Health Insurance Trust. I previously indicated that we intended to pursue health insurance through the Group Insurance Commission (GIC). After additional consideration, including working with the Massachusetts Interlocal Insurance Association (MIIA) to improve previously quoted rates based on the GIC Benchmark Plan, we are instead recommending MIIA as the preferred option for the District's Health Insurance.

Discussion

Acton Health Insurance Trust

The Acton Health Insurance Trust (HIT) is a self-insured trust jointly held by the regional school district and the Town of Acton. It provides health insurance for the town and schools active and retired employees. The HIT experienced significant losses during FY24. As a result of this loss, the District contributed \$1.5M in cash payments to the HIT during FY24. The HIT also implemented a January 1st, mid-year rate increase on premiums of 22.8%. This led to the District having to pay an additional \$1.2M in premiums in FY24. Finally, in exchange for the employee unions agreeing to negotiate changes to health insurance, the school committee agreed to cover the employee share of the premium increase totaling approximately \$408,000. The total unbudgeted liability for the District during FY24 is \$3.16M.

Industry experts believe that based on changes in health costs for both medical services and prescriptions, the current HIT is too small of an entity to remain viable. We do not recommend continuing to seek insurance through the HIT for two reasons: the costs of insurance coverage would exceed market rates, and the small size of the risk pool would leave the District vulnerable to future liability from high claims.

We recommend the school committee vote to withdraw from and dissolve the Acton Health Insurance Trust. Attorney Russel Dupere will attend your meeting on February 15, 2024 to discuss the process and implications for withdrawal and dissolution of the HIT.

Current Health Insurance Plan Breakdown

The District has 1061 subscribers to health insurance plans. This includes 448 Medicare Eligible Retirees and 613 active plans. The breakdown of these plans is detailed in the table below:

448	Retirees on Medicare Plans
9	Blue Cross Blue Shield PPO
289	Blue Cross Blue Shield HMO
107	Blue Cross Blue Shield High Deductible Plan
154	Harvard Pilgrim HMO
54	Harvard Pilgrim High Deductible Plan

Group Insurance Commission (GIC)

The District has explored seeking insurance through the GIC. As previously discussed, GIC rates for FY25 are not yet available and will be published on March 1st. Experts in the insurance industry have estimated the GIC to increase rates across plans by an average of approximately 9.7% and this increase was used in projecting costs and savings. The District was not able to notify the GIC by December 1st of a potential move as required by statute for entry on July 1st. This means that the first possible date available to the District to enter the GIC is January 1, 2025. If the District pursues this option, we will need to notify the GIC by July 1, 2024.

The table below compares potential savings to the district over a 2-year period by moving to the GIC. Several notes to consider in interpreting the table:

- HIT rates are based on information provided by the HIT.
- GIC rates are based on an *estimated* 9.7% increase over published FY24 rates.
- No rate increases have been applied to FY26 to provide a standard basis of comparison across plans.
- The GIC Offers Harvard Pilgrim, Unicare, and Mass General Brigham Plans and estimates of costs for the GIC are based on assumptions about which plans employees will migrate to.
- The GIC does not offer high deductible plans.
- The GIC Benchmark (most enrolled) plan is the Harvard Pilgrim Explorer HMO Plan.

Assumptions of migration to GIC plans:

1. It is assumed that all 154 current Harvard Pilgrim (HP) HMO subscribers will migrate to the HP Explorer Plan
2. We provide a range of assumptions for the migration of the remaining 459 individuals:

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- ^{\$} The “Low” cost estimate (greatest savings) assumes all 459 individuals migrate to the lower cost Unicare Plus plan. This estimate is the maximum potential savings the District may realize with GIC.
- ^{\$\$} The “75% of Low” estimate assumes credit for 75% of the savings between the “High” and “Low” estimates.
- ^{\$\$\$} The “50% of Low” estimate assumes credit for 50% of the savings between the “High” and “Low” estimates.
- ^{\$\$\$\$} The “High” cost estimate (least savings) assumes all 459 individuals migrate to the GIC Benchmark HP Explorer Plan. This estimate is the least potential savings the District may realize with GIC.

2-Year Budget Analysis

Insurer	FY25			FY26 (assumed no rate increase for comp)			2 Year TOTAL COST
	Q1&2	Q3&4	Annual	Q1&2	Q3&4	Annual	
HIT (status quo)	\$ 7,229,517	\$ 7,229,517	\$ 14,459,034	\$ 7,229,517	\$ 7,229,517	\$ 14,459,034	\$ 28,918,068
GIC (Low) ^{\$}	\$ 7,229,517	\$ 5,999,068	\$ 13,228,585	\$ 5,999,068	\$ 5,999,068	\$ 11,998,135	\$ 25,226,720
GIC (75% of Low) ^{\$\$}	\$ 7,229,517	\$ 6,186,988	\$ 13,416,505	\$ 6,186,988	\$ 6,186,988	\$ 12,373,976	\$ 25,790,481
GIC (50% of Low) ^{\$\$\$}	\$ 7,229,517	\$ 6,374,908	\$ 13,604,425	\$ 6,374,908	\$ 6,374,908	\$ 12,749,817	\$ 26,354,242
GIC (High) ^{\$\$\$\$}	\$ 7,229,517	\$ 6,750,749	\$ 13,980,266	\$ 6,750,749	\$ 6,750,749	\$ 13,501,498	\$ 27,481,764

Based on our discussion with Cook & Co. who previously advised the HIT around health insurance, it is unlikely that the District would fully realize employee migration into either the “Low” or “High” estimates. We believe the highest likelihood of migration will be somewhere between the 50% and 75% estimates provided.

Massachusetts Interlocal Insurance Association (MIIA)

The District has continued to explore options for insurance through MIIA. Most recently we received a new quote from MIIA that provided plan benefits identical to those that would be provided through the GIC. This resulted in additional savings beyond what we previously understood and caused us to reconsider MIIA as an option for FY25. A benefit to moving to MIIA is that we can enter that plan effective July 1, 2024 (retirees would enter on January 1, 2025). This will allow us to realize savings 6 months earlier than a move to the GIC. MIIA offers only Blue Cross Blue Shield Plans. Because a majority (66%) of our subscribers are on Blue Cross plans, we believe there will be less disruption by moving to MIIA over the GIC. Additionally, MIIA offers high-deductible plans (GIC does not), which will allow the 161 current high-deductible subscribers to continue with these plans and their Health Savings Accounts.

Assumptions of migration to GIC plans:

1. All current HMO subscribers (BCBS & HPHC) were assumed to continue with HMO plans

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2. All current High Deductible (HSA) subscribers were assumed to continue with High Deductible HSA plans.
3. MIIA rates are actual rates acquired through underwriting and *not* estimated.
4. MIIA requires a 2 year minimum commitment and guarantees a 2nd year rate cap where the rates will not increase more than the average increase across all of their plans state-wide, regardless of claims history.

2 Year Budget Impact Analysis

Insurer	FY25			1 Year MIIA Plan Savings	FY26 (assumed no rate increase for comp)			2 Year TOTAL COST	2 Year MIIA (Savings)/ Loss Comparison
	Q1&2	Q3&4	Annual		Q1&2	Q3&4	Annual		
HIT (status quo)	\$ 7,229,517	\$ 7,229,517	\$ 14,459,034	\$ (1,514,992)	\$ 7,229,517	\$ 7,229,517	\$ 14,459,034	\$ 28,918,068	\$ (3,029,984)
GIC (Low) ^{\$}	\$ 7,229,517	\$ 5,999,068	\$ 13,228,585	\$ (284,543)	\$ 5,999,068	\$ 5,999,068	\$ 11,998,135	\$ 25,226,720	\$ 661,365
GIC (75% of Low) ^{\$\$}	\$ 7,229,517	\$ 6,186,988	\$ 13,416,505	\$ (472,463)	\$ 6,186,988	\$ 6,186,988	\$ 12,373,976	\$ 25,790,481	\$ 97,603
GIC (50% of Low) ^{\$\$\$}	\$ 7,229,517	\$ 6,374,908	\$ 13,604,425	\$ (660,383)	\$ 6,374,908	\$ 6,374,908	\$ 12,749,817	\$ 26,354,242	\$ (466,158)
GIC (High) ^{\$\$\$\$}	\$ 7,229,517	\$ 6,750,749	\$ 13,980,266	\$ (1,036,224)	\$ 6,750,749	\$ 6,750,749	\$ 13,501,498	\$ 27,481,764	\$ (1,593,680)
IIIA BM3	\$ 6,472,021	\$ 6,472,021	\$ 12,944,042	-	\$ 6,472,021	\$ 6,472,021	\$ 12,944,042	\$ 25,888,084	-

Analysis of MIIA Option

- Moving to MIIA effective July 1, 2024 would save the District approximately \$3M over a two year period compared to continuation of the current HIT plan.
- Over a two year period, it is likely that MIIA would realize moderate savings compared to the GIC.
- In the unlikely event that *all* subscribers migrated from current HIT plan to the least expensive GIC option, then the GIC would result in \$661K greater savings over two years than MIIA
- In the unlikely event that all subscribers migrated from current HIT plans to the more expensive GIC option, then MIIA would result in \$1.6M in savings over two years than GIC.

Moving to MIIA will save the district considerable money over the two years. Savings projections between MIIA and GIC are uncertain for two primary reasons: We do not know what the GIC rates will be, and we do not know which plans our employees will select until after enrollment. We have greater certainty in our estimates of plan selection moving to MIIA over moving to GIC because of the availability of the High Deductible plans with MIIA.

Employee Impact

Across all of our plans, employees would save money by moving to MIIA. While there is less savings for individuals on High Deductible plans than on traditional HMO or PPO plans, it is notable that GIC does not offer these plans at all.

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		Acton HIT Employee Monthly Cost (BCBS/HPHC)	MIIA Employee Monthly Cost (BCBS only)		Monthly Employee Savings with Shift to MIIA	Annual Employee Savings with Shift to MIIA	Notes
Low Deductible HMO	Individual	\$316.04	\$274.39		\$41.65	\$499.80	
	Family	\$763.23	\$662.65		\$100.58	\$1,207.02	
High Deductible HSA	Individual	\$266.83	\$255.46		\$13.18	\$158.11	<i>Deductible levels are required to increase to \$1600/\$3200 for FY25</i>
	Family	\$648.75	\$616.93		\$31.82	\$381.87	
Select HMO Plan	Individual	NA					
	Family	NA					
PPO Plan	Individual	\$1,099.82	\$657.82		\$442.00	\$5,304.03	
	Family	\$2,656.06	\$1,588.62		\$1,067.45	\$12,809.35	
Retiree- Med Advantage		\$315.00 (AETNA)	\$334.00 (BCBS)		(\$19.00)	(\$228.00)	Transition on January 1, 2025, so actual change in cost for year is (\$114.00)

Recommended Next Steps and Action Items

- ➔ I recommend that we set aside approximately \$700K of the 1st year savings in a district-wide contingency fund to cover potential liability during the claims run-out period for HIT. The District does not yet have projections for the cost of the run-out period for HIT Claims. We will need to see a cash flow analysis to see if HIT will have sufficient funds available to cover these costs or if there is any potential liability to the District. This amount of the contingency may be subject to change over the coming months if more information becomes available from HIT. If unused at the end of the FY25, these contingency funds may either be rolled into E&D reserves, or could potentially be applied to OPEB.
- ➔ I recommend the remaining \$798K be applied as savings toward the FY25 Budget (both A & B versions). This will reduce the tax burden of the district operating budget and mitigate further reductions to staff in FY25.

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- I recommend that the school committee negotiate the transition and potential mitigation with our employee unions.
- I recommend that the school committee vote to authorize the District to join *Massachusetts Interlocal Insurance Association (MIIA)* effective July 1, 2024. This needs to happen prior to March 1, 2024
- I recommend that the school committee vote to withdraw from and dissolve the Acton Health Insurance Trust at a subsequent meeting after input from Attorney Dupere.

Thank you for your consideration of this proposed change in health insurance carriers.