

TOWN OF LAKEVILLE
Selectmen's Meeting Minutes
March 24, 2015 – 6:00 PM

On Tuesday, March 24, 2015, the Board of Selectmen held a meeting at 6:00 PM at the Town Office Building in Lakeville. The meeting was called to order by Chairman Powderly at 6:00 PM. Selectmen present were: Selectman Burke, Selectman Powderly and Selectman Hollenbeck. Also present was: Rita Garbitt, Town Administrator. LakeCAM was recording the meeting.

Meet with Edd Byrnes, Consultant for Gateway Health Group, to discuss and vote on engaging in the process to change health insurance benefits under M.G.L. c.32B subsection 21-23

Chairman Powderly explained the reason for the meeting and then turned it over to Edd Byrnes to explain the process. Mr. Byrnes stated that by adopting these sections of the law, it allows the Town to proceed with the process of changing Health Insurance Benefits. The Legislature created this law to speed up the process of accepting health plans. Before changes can be made, the Selectmen have to meet with the Insurance Advisory Committee (IAC) first. Mr. Byrnes will prepare for them a series of documents. It is basically a scenario of the in force health care and out of pocket costs. Along with scenarios of the proposed benefit plan would be the opportunity for comparing and contrasting. Mr. Byrnes will also provide a picture of the Group Insurance Commission (GIC) for information only; there will not be discussion on that. Then a list of costs will be provided, including the actual total premium being expended right now, the Town's share and the employee's share. The proposed Plan Design and the costs for employees and the Town will be reviewed. The employees are entitled to 25% of the savings created by this plan change as part of a mitigation fund. A proposal will be composed to provide the employees of how they will get that 25% back into their pockets. Mr. Byrnes explained that he is not in favor of spending a lot of money on administrative costs, but would rather get the money back into the employee's pockets. The regulations require that the plan design proposed cannot be in excess of the most populated plan in the GIC. Currently the GIC is getting very big increases, which is scary. The GIC is being looked at for comparative purposes only. We do not have to collective bargain the change, as long as it is less than the GIC collective, and most plans are. Then the Committee will be required to make sure that calculations have been done appropriately and also the mitigation fund is prepared.

Mr. Byrnes said the maximum annual savings is not just the employee savings; it is the total savings. Once that is agreed upon with the regulation, then you need to agree on the distribution of the Mitigation Fund. If everyone makes those three (3) changes, then you do not have to do negotiations on the Town's side. A representative is needed from the collective bargaining side and a representative from the administrative/management side. The State sends out a mediator to hear everyone's issues. There is a deadline for every step of the process. When you get to the public employee stage, which is right after the committee phase, everything is done in 30 days. Plan changes cannot be done until 60 days of notification has been provided to all employees. We are not talking about changes to retiree plans right now. This is Non Medicare eligible type plans. The adoption of this does not require the Town to begin the process if they do not want

to; it is just to allow them to do it when they decide to. There can be questions about the process, but we cannot talk about the plan designs; that can only take place in Executive Session.

Debra Kenney, Treasurer/Collector, stated that she heard that the GIC is holding off on pushing for new communities to join them. She had general questions about increased co-pays. Mr. Byrnes stated that he can say that there will be increased co-pays, but he cannot get into real detail. It is not the intent to talk about the GIC at this time. There are no benefit options there. They have plan options, but no design options. It is inappropriate to discuss plans in an open meeting; that is to be discussed with the unions, not with public. Otherwise we would be in violation of the regulations if discussed in open session. There are deductibles now of \$300 for an individual and \$900 for a family. Mr. Byrnes stated that he has gone through life with deductibles and copays. Basically they are not as scary as you think they are. One (1) visit in the emergency room you are done with deductible for the year. It is expensive, but you are done with it. He is more concerned with prescription drug copays, as they are going up with the GIC plan. Basically all plans will be the same, but you will see significant increases.

Douglas Mills stated that if the Town has to have an insurance meeting with the IAC, is there one in Lakeville. Mr. Byrnes responded that there is. Mr. Mills asked who was on it. Ms. Kenney responded that she was, however, she did not know about this until Monday. Mr. Mills stated that if the IAC is going to meet and advise the Town, wouldn't it be wise for them to meet and come up with a plan first to advise the Selectmen of what they are going to do. Mr. Byrnes explained that the adoption of this section of the law does not require the Town to do anything if they don't want to. Mr. Mills stated that before they put the horse before the cart, don't you think it would be wise to have something that they come up with first. Mr. Byrnes responded that it may be wise, but this is what we have to do under the regulations, make this adoption first. He has met with the IAC before to show them the plan design changes.

Selectman Hollenbeck stated that the reason why the Selectmen decided to start looking at this is twofold. There are two cliff issues the Selectmen are looking at as a Town. One is the Other Post Employee Benefits (OPEB), which is the actuarial calculated costs for benefits for retirees which is currently \$15 million dollars. This amount is bigger than any of the debt items that we have within the entire Town budget. That is something that has come up recently. Every municipality is facing it. We need to look at how we will pay for our future retiree's cost. Health insurance rates have been going up 5% over the past few years, and since this is a benefit for life, it impacts the Town's budget. For retirees, we pay out \$.50 on the dollar, versus current active health insured. We are facing \$30 million in the School system, which is a bigger liability. We have those items to help try and determine future layoffs, since we have to pay for future retirement options. We have to keep that in consideration. The second piece of this is the Cadillac Tax. The Affordable Care Act for 2018 states that any health insurance premiums, if they are over \$10,200, there is a 40% excise tax to the Town for any premium in excess of that or \$27,500 for the family plan. The Town has two (2) plans: Blue Cross Blue Shield Blue Care Elect Individual and Family Plans. They are subject to the Cadillac Tax. In 2018, the Town will be subject to the 40% tax. With a 5% per year increase, every single one of our plans will be over that amount, so we will have the 40% Cadillac Tax as well. This is why we wanted to open up that process, to explore the options with the IAC. Mr. Byrnes stated that the government regulations for the Cadillac Tax for the Affordable Care Act have no indexing going on. They

set the premium rates a few years ago, and no inflation rates have been put to those yet, but the plans are inflating 7% a year.

Chairman Powderly asked if there is a process for our employees to ask questions. Mr. Byrnes explained that the very first IAC meeting is made up of the representatives of the collective bargaining groups and a retiree, so that is seven (7) people. Mr. Byrnes would make a presentation in conjunction with the Town and anything is allowable for a question. Mr. Mills asked if this will affect the Schools or just the Town employees. Mr. Byrnes explained that right now it will affect the Town. He has not been approached by anyone from the Schools. Mr. Mills asked if that is fair to all the employees. Selectman Hollenbeck stated that the Schools are not under our purview. Chairman Powderly said we always say how we would like to treat everyone equally. Once Regionalization was voted in, they were on their own and make their own decisions. They can do things that you would not necessarily agree to do. Selectman Burke stated that the Board of Selectmen has taken steps to do what it can relative to School spending. We received \$268,000 back for Transportation that we should have never paid in the first place. Now we took the budget and funded it so that the Schools cannot be overpaid again for Transportation. Also, we met with the Selectmen in Freetown and came up with a strategy so that the Towns are not being played by the schools. The Towns are sitting down and coming up with a number that is beneficial to the Town's side and not just writing a blank check. He doesn't want to speak for the rest of the Board, but we are very mindful to try and control School costs on the Town's side. Mr. Mills stated that when the IAC meets to discuss the issues with the Selectmen, he would like the Selectmen notify all the retirees. It is a shame if something is passed that a retiree cannot pay for or did not know about. He would like to be notified before it is done. Mr. Byrnes explained that the regulations require that everyone who is impacted by the change be notified of the change 60 days in advance of any change.

Firefighter Will Purcell stated that the Lakeville Permanent Firefighters are against any kind of increase in health care, fees, deductibles or joining the GIC. All three (3) unions just went through the negotiations process, and this never came up. We should have gotten some heads up that this was going to come up. There is a law that may say that they can do this to a certain extent, and we fought and won in some cases. He didn't understand that during negotiations this never came up and now we are under an agreement for three (3) years. You go and do this and we were not brought up to speed on this ahead of time.

Police Sergeant Sean Joyce stated that he had a few facts for the Board to think about before this is discussed further. In 1998, he transferred to Lakeville and the Health Insurance was fantastic at that time. That was key for me to make the move to Lakeville. In 2008-2009, we were told that we needed to change the percentage from 90% - 10% to 75% - 25% to try and save jobs. We were under the impression that if we made that change, there would be no layoffs however, we lost five (5) officers. A few years ago we did essentially the same thing, but copays went up. We get asked why employees leave Lakeville to work for other towns, and one of the big reasons is the Health Insurance and the fees we have to pay.

Chairman Powderly stated that basically all the cities and towns are under the same pressure. Lakeville is no different. If other Towns haven't looked at all the fees and percentages yet, they will and they will get to different plans and levels of contributions at some point. It is the

escalation of health costs that drive people to do this. It is uncontrollable health care costs that necessitate action like this. Mr. Byrnes stated that section 21-23 precludes any discussion increases to the contribution percentage. That cannot even be brought up whatsoever. So no changes will be made to those under this legislation.

Sherry Bock asked if Mr. Byrnes is able to tell us if there are any other options available besides the family plan and the individual plan. Mr. Byrnes responded that there are many three (3) rate phases, the individual plus one, the four (4) rate, the individual plus a child, the individual plus the spouse and family. Anytime and every time you go from a single to a family plan, to anything more than that, at the end of the day everyone has contributed to the claims and that creates a premium amount that everyone has to pay into. The extra money needs to be brought in if you reduce money for a single plan, then it goes to the family rate. That is why most do not do a multiple rate deal. It is a big impact on families. The claims are the same, though no matter how the premium is paid. Claims are claims. Ms. Kenney added that even if someone does not have kids in the School System, everyone still has to help out. Mr. Mills asked if Mr. Byrnes knows who represents the retirees on the Committee. Mr. Byrnes responded that with the IAC sections 21-23 there is someone, but he doesn't know who. And, that employee, if you get to the second stage, would be appointed by the State for the State retirees and does not have to live in Lakeville.

Ms. Kenney asked if with the 40% excise tax, if the employee is also assessed. Selectman Hollenbeck responded that they are not, but they get the percentage share as well. Mr. Byrnes explained that it is actually a cost that will flow down to the consumer. The rates would have the 40% and then the Town pays its share and you pay your share. Ms. Kenney asked how they determine which is the Cadillac Plan. Mr. Byrnes stated that they have already published the premiums. Emiliann Melo said Selectman Hollenbeck stated the rates are going up 4-5% every year, and we are only getting a 1% raise every year. Aren't we already paying a deductible there since we are behind the eight (8) ball with the cost of living. Selectman Hollenbeck explained that the percentage is on the premium, but we can do the math to see where that will land. Selectman Burke stated that raises for FY16 will be 1.75%. Ms. Melo said like Mr. Purcell and Mr. Joyce said, the contracts were signed with the raises agreed to. Now you are shoving this to us, so we are really not getting a raise, once we have to pay these deductibles and such. It is really not fair. She understood the cost has to come from somewhere, but she will be 30 this year and wants to start a family. If we do not get an increase, how do you expect us to survive?

Chairman Powderly explained that the Board is going to vote on moving forward with the process to change. Everyone will have representation there on the IAC. It is an informational meeting discussing the plans in private session. Ms. Melo said the final say is up to the Board. They are acting as the parent to make the decision regardless. Chairman Powderly agreed. Mr. Byrnes stated that hopefully everyone will be engaged. Having a target of one (1) plan design is not always the answer, there may be a better way to do it; there is a target to aim for. Selectman Hollenbeck explained that none of the options that we are looking at would have an increase to premiums. Everyone would have a decrease in the premium cost, so that needs to be factored in. If there is an increase in the deductible, but a savings in the premium, what is the real cost. It might be more out of pocket, but the premium and deductible might balance out. It might be

more palatable once everyone sees all the options. Ms. Bock said is there any other way to fund the OPEB, like an override. Selectman Hollenbeck responded that anything is possible.

Chairman Powderly explained that it is things that have been given away. The Schools' responsibility of \$30 million is overwhelming. The number of benefits is hidden, and they have a life of their own that continue through retirement. This is a liability for all Towns, not just Lakeville. When someone retires, we replace them with a second person, then they retire and we bring in a third person, so we are paying Health Insurance premiums for three (3) people. So a \$25,000 annual bill will eventually be a \$75,000 annual bill. Mr. Byrnes explained that OPEB is an unfunded liability. No one could have prepared to fund it 20 years ago. In the private sector, the plans got rid of their retirement plans, since they could not afford them. Now we are taking baby steps to fund it. Any funding now is looked on as a liability. Even changing plan design affects bond interest rates; that is an important criterion to consider. Chairman Powderly stated that it is a tremendous liability facing everyone. Even if an increase was made in the amount of 2.5% now, we would have to do it all the time. Selectman Hollenbeck stated that the Town is looking at options to see what is out there to try to maintain fiscal responsibility for the future.

Ms. Bock said she understood why you are doing this, but since the contracts were just negotiated, there is some animosity. How long did you know it was coming? Was this put off until negotiations were done? That seems to be where the problem is. Chairman Powderly explained that it was unrelated timing. Mr. Mills stated that the Town of Lakeville does not have to do this. Chairman Powderly explained that the Town does not have to engage in the process, but we are going to. It is an issue that is in front of us. We have to look at the liability now that we did not have to before. Selectman Hollenbeck noted that though she did not sit on this Board when this was first coming about, she did work on the OPEB legislation when she was working at the Government Standards Board. She was passionate about discussing this, and making sure we looked at it for the future. She was not part of the negotiations, and this was not a ploy to do anything to you. We are looking at this for fiscal sustainability in the future. We are looking for savings for premiums for you. You may have a net benefit. No one is trying to throw this in your face, we will not do this without input from the employees. The plan will be different, and we do not know if you will be paying more. We need to make sure that the IAC keeps everyone up to date.

Mr. Byrnes stated that he thinks that there will be a contribution savings, less from the check than what people are paying currently, not counting renewal rates in July. He will be able to put down what the average person will spend in additional co-pays. He can take the average person to give you an idea with the Blue Cross data base and compare what the premium is. Thomas Dunlevy said insurance is great when you are healthy, but when you are sick, you pay twice as much out. Mr. Byrnes explained that with the premium contribution, people will see a savings but with copays it will probably be a wash. There are two (2) extremes for people who visit the doctors, some frequently, and some barely at all. Further, the whole section 21-23, the mitigation fund, it is for high users, but the legislators did not think who would administer that. By the time the Town is done paying the third party, it would cut into your mitigation fund, since that is the stipulation, to pay it out of that fund. So he tries to make sure 100% goes back without any taxation.

Chairman Powderly stated that the answer to the long term insurance funding liability is separate than this process. If anyone says that they did not know about health Insurance problems, then they have blinders on. It is a country wide problem. This is the process and we need to let Mr. Byrnes come up with the plans and the proposals. It doesn't make any difference where you are in the country, it is a nationwide problem. We have a responsibility to look at the Town's liability. Mr. Mills asked if one of the Selectmen will be going to the IAC meetings. Mr. Byrnes explained that it is an open meeting. There are only eight (8) voting members. Mr. Mills understood, but wanted to know if there will be a Selectman on the Committee. Mr. Byrnes said no, the IAC is made up of employees.

Upon a motion made by Selectman Burke; seconded by Selectman Hollenbeck it was:

VOTED: To engage in the process to change Health Insurance Benefits under M.G.L. c.32B, subsection 21-23.
Unanimous in favor.

Upon a motion made by Selectman Powderly; seconded by Selectman Hollenbeck it was:

VOTED: To adjourn the Selectmen's meeting at 7:00 PM.
Unanimous in favor.