

# MEMO



TO: All Town & County Employees

FROM: C. Elizabeth Gibson *zy.*  
Town Manager

CC: Board of Selectmen  
Finance Committee

DATE: April 22, 2013

RE: **Health Insurance Updates/Information**

---

## *Rate Increase*

For the first time in several years, health insurance costs will be increasing this year. Background: in December 2008, the Town of Nantucket faced severe budget cuts due to falling revenue from the national economic crisis. Rather than initiate significant budget cuts and layoffs, a December 2008 special town meeting voted to use the Town's health insurance appropriation for that budget year to help cover the budget shortfall. In order to cover the health insurance costs for that budget year, the Town's Health Insurance Trust Fund ("HIT") was used for four premium "holidays" during which neither the Town nor employees paid health insurance premiums. The HIT covered those payments. We were in an extremely fortunate position at that time with a very healthy HIT to be able to do that.

While it is perfectly legal for a town to use its HIT for such purposes, the Commonwealth of Massachusetts Department of Revenue (DOR) provides specific guidelines for self-insured towns like Nantucket about the balances which must be retained in the HIT at year end. While Nantucket's HIT is not currently exhausted the Town must shore up the funding to meet the DOR guidelines. Both the Town and its employees are required to contribute proportionately. Two actions are being taken for the current and upcoming fiscal years in order to address this matter. The first action is a \$750,000 appropriation from Free Cash to the HIT for FY 2013 which was approved at the April 2013 Town Meeting and which covers the Town's contribution portion to the Trust Fund.

## *from the desk of....*

C. Elizabeth Gibson  
Town Manager  
16 Broad Street  
Nantucket, MA 02554  
508-228-7255  
lgibson@nantucket-ma.gov

The second action is a HIT surcharge that will be applied to each enrolled employee beginning June 1, 2013 when the new health insurance year begins. The monthly surcharge for individuals will be \$12.00 and the monthly surcharge for families will be \$25.65. This one-year surcharge will last from June 1, 2013 to May 31, 2014 and will cover the employee portion to the Trust Fund.

In addition to replenishing the Trust Fund, the Town has also been advised that the current premiums, which have increased minimally over the last five years, need to increase to cover rising health insurance costs. Effective June 1, 2013 the Master Medical premiums will increase by 29% and the Blue Care Elect (PPO) premiums will increase by 14%.

**Please see the attached chart for specific cost information.**

*Dental Insurance*

The Town has been notified that there will be no increase in the dental insurance premiums for the next two years.

*Prescription Drugs*

The Town has negotiated with Blue Cross Blue Shield to allow members to purchase up to 90 days of covered prescription supplies at local pharmacies. Previously, this option was not available. The mail order program continues to be another option for members taking maintenance medications.

*Annual Employee Benefits Fair – Monday May 13, 2013*

Updated health insurance premium information will be distributed to you shortly by Human Resources. I encourage you to attend the Employee Benefits Fair and compare the two health insurance plans. A representative from Blue Cross Blue Shield will be available to answer plan-related questions. The Benefits Fair will be held on Monday, May 13, 2013 in the second floor training room of the Public Safety Facility at 4 Fairgrounds Road. Representatives from the various companies that provide employee benefits will be present to answer questions and provide information.

Thank you.

*from the desk of.....*

C. Elizabeth Gibson  
Town Manager  
16 Broad Street  
Nantucket, MA 02554  
508-228-7255  
lgibson@nantucket-ma.gov

**NANTUCKET RATE COMPARISON**  
**June 1, 2012 Current Rates**

	Monthly Full Rate	Employee Monthly Share	Total Employee Annual Cost	Town	
				Monthly Share	Annual Cost
Master Medical	Ind	\$816.10	\$1,958.64	\$652.88	\$7,834.56
	Fam	\$1,777.25	\$4,265.40	\$1,481.80	\$17,061.60
Blue Care Elect Town	Ind	\$649.83	\$779.76	\$584.85	\$7,018.20
	Fam	\$1,384.74	\$1,661.64	\$1,246.27	\$14,955.24
Blue Care Elect School	Ind	\$672.41	\$806.88	\$605.17	\$7,262.04
	Fam	\$1,432.87	\$1,719.48	\$1,289.58	\$15,474.96
Medex	Ind	\$375.46	\$450.36	\$337.93	\$4,055.16

**June 1, 2013 New Rates**

	Monthly Full Rate	Employee Monthly Share	Employee Annual Cost	Monthly Surcharge*	Total Employee Annual Cost	Town	
						Monthly Share	Annual Cost
Master Medical	Ind	\$1,060.00	\$2,544.00	\$12.00	\$2,688.00	\$848.00	\$10,176.00
	Fam	\$2,300.00	\$5,520.00	\$25.65	\$5,827.80	\$1,840.00	\$22,080.00
Blue Care Elect Town	Ind	\$741.00	\$889.20	\$12.00	\$1,033.20	\$666.90	\$8,002.80
	Fam	\$1,579.00	\$1,894.80	\$25.65	\$2,202.60	\$1,421.10	\$17,053.20
Blue Care Elect School	Ind	\$767.00	\$920.40	\$25.65	\$1,064.40	\$690.30	\$8,283.60
	Fam	\$1,634.00	\$1,960.80	\$25.65	\$2,268.60	\$1,470.60	\$17,647.20
Medex	Ind	\$358.64	\$430.32	\$12.00	\$574.32	\$322.78	\$3,873.36

\*The employee amount needed to match the \$750,000 additional appropriation from special Town meeting in order to maintain agreed upon contribution ratios.