

*Town of*



# *Amherst* Massachusetts

AMHERST PELHAM HEALTH CLAIMS TRUST

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To: Health Care Plan Covered Members

From: Patrick Brock, Chair, Amherst Pelham Insurance Advisory Committee  
Paul Bockelman, Amherst Town Manager

Subject: February 2018 Rate Adjustment

## **Mid-Year Rate Increase**

This is to inform you that the Amherst Pelham Health Claims Trust (APHCT) premiums for all plans will increase \$200 for family memberships and \$100 for individual memberships effective with the February 1, 2018 premium.

## **Background**

The APHCT is self-insured and is therefore responsible for all the claims incurred by members as well as the administrative costs associated with the health plans. Members include the employees and retirees plus their spouses and dependents of the Towns of Amherst and Pelham plus the Amherst Pelham Regional School District. For the past few years, the group has experienced a larger than usual number of very large claims resulting in a deficit in the Trust Fund.

## **Trust Management**

There is a management team that has oversight of the Health Claims Trust. This management team includes both management staff and the employee Insurance Advisory Committee (IAC) which consists of representatives from all employee groups (both union and non-union) plus two retirees. The management team, with the advice and counsel of the Trust's insurance advisor reviews and makes plan design recommendations, suggests working rates for anticipated cost liabilities including expected claims, reviews the administration of the plans by our two carriers, HPHC and BCBS and purchases stop loss insurance for plan protection against catastrophic claims. Unfortunately, we have had both large claims that reached the stop loss level as well as an unusual number of large claims that haven't reached a level for the stop-loss to begin reimbursements.

## **Premium Adjustment**

The management team has been monitoring the plan's performance. A persistent deterioration of the Health Claims Trust reserves has required immediate action to stem the decline in the Trust's reserves. In short, the Trust has been paying out more in claims than the income received from the Towns, School Districts, and their employees and retirees. The Trust's consultant and, subsequently, the management team (including the IAC) all agree that the Trust needs to cover the deficit so we are implementing another mid-year rate adjustment. While it cannot be guaranteed, we anticipate that with this February 1, 2018 adjustment, we will not increase rates for July 1, 2018.

We certainly are aware of what this impact is to our covered members and want to assure you that the management team and the IAC is committed to providing quality health plans for our members. We have formed a subcommittee of management and IAC members to meet frequently over the next several weeks to review options, plan designs and whether to remain self-insured or move to fully insured plans.

Following are the rates effective February 1, 2018:

**Medical Coverage Premium Rate Schedule  
Rates Effective February 1, 2018**

Increase monthly rates by \$200 Family; \$100 Individual

| Blue Cross Blue Shield &<br>Harvard Pilgrim Health Care | PPO Plans           |                     | HMO Plans          |                     |
|---|---------------------|---------------------|--------------------|---------------------|
|   | <i>Individual</i>   | <i>Family</i>       | <i>Individual</i>  | <i>Family</i>       |
| <b>Total Annual Premium</b>                             | <b>\$ 10,831.20</b> | <b>\$ 25,434.00</b> | <b>\$ 8,227.44</b> | <b>\$ 19,207.44</b> |
| Total Monthly Premium                                   | \$ 902.60           | \$ 2,119.50         | \$ 685.62          | \$ 1,600.62         |
| <b>EMPLOYER Contribution</b>                            |                     |                     |                    |                     |
| Annual  | <b>\$ 8,123.52</b>  | <b>\$ 19,075.68</b> | <b>\$ 6,581.95</b> | <b>\$ 15,366.00</b> |
| Monthly   | \$ 676.96           | \$ 1,589.64         | \$ 548.50          | \$ 1,280.50         |
| <b>EMPLOYEE/RETIREE Contribution</b>                    |                     |                     |                    |                     |
| Annual  | <b>\$ 2,707.68</b>  | <b>\$ 6,358.32</b>  | <b>\$ 1,645.49</b> | <b>\$ 3,841.44</b>  |
| Monthly   | \$ 225.64           | \$ 529.86           | \$ 137.12          | \$ 320.12           |
| <b>BIWEEKLY PAYROLL DEDUCTION</b>                       | <b>\$ 112.82</b>    | <b>\$ 264.93</b>    | <b>\$ 68.56</b>    | <b>\$ 160.06</b>    |
|   |                     |                     |                    |                     |
| <b>COBRA RATES</b>                                      | <b>\$ 920.65</b>    | <b>\$ 2,161.89</b>  | <b>\$ 699.33</b>   | <b>\$ 1,632.63</b>  |