

MEMORANDUM
Municipal Accountability Review Board

To: Members of the Municipal Accountability Review Board
From: Julian Freund, OPM
Subject: Analysis by Segal Consulting of Health Plan Options for West Haven
Date: January 10, 2019

Attached is a report prepared by Segal Consulting analyzing several health plan options for the City of West Haven. The report begins by providing current employee and retiree health cost information for FY 2019 and FY 2020. Potential cost savings are presented under three scenarios:

- Scenario 1 estimates potential savings of moving active employees who are not currently in a high deductible plan to a HDHP/HSA, similar to the current plan for the teachers union;
- Scenario 2 estimates the potential savings of moving all active employees to a HDHP/HSA that pays 90% of costs after deductibles are met (as opposed to 100% of cost after deductible); and
- Scenario 3 projects the potential savings of moving all employees and retirees to the State's Partnership Plan at the current premium rates.

The report also provides the actuarial values of each of the City's and BOE's current health plans, as well as the optional plans analyzed in the report. The actuarial value of a plan represents the percentage of total average costs for covered benefits that a plan will cover.

As the City evaluates various health insurance options and the analysis by Segal Consulting, it is recommended that additional consideration be given to the following:

- The City's capacity to manage the administration of any changes in health insurance;
- The long-term fiscal impacts of any changes and whether projected short-term savings based on current conditions can be reasonably expected to be sustained;
- Preserving flexibility to revert back to a self-insured arrangement in the event that costs escalate beyond some threshold;
- The short-term costs of switching from the current self-insured structure to the State Partnership or any fully insured arrangement. In such a scenario, the City would, during a transition period, need to budget for both premium payments as well as the IBNR runout (most recently estimated at around \$2 million)

Attachments:

- Segal Consulting Report

Cc:

Alison Fisher, OPM
Mayor Nancy Rossi, City of West Haven
Ron Ciatelli, Director of Finance, City of West Haven
Michael Milone
Superintendent Cavallano, West Haven Board of Education
Matt Cavallano, Business Manager, West Haven Board of Education