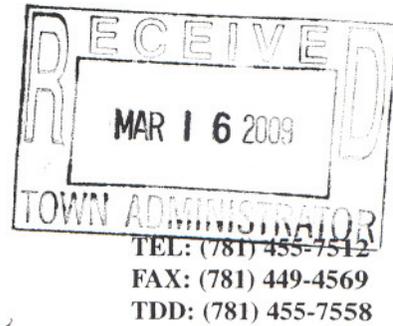




**TOWN OF NEEDHAM**  
TOWN HALL  
1471 Highland Avenue  
Needham, MA 02492-2669



Office of the  
TOWN MANAGER

TO: Department Managers  
Superintendent of Schools  
FROM: Kate Fitzpatrick  
DATE: March 13, 2009  
RE: Proposed Changes to Health Insurance Program

Mindful of our need to contain costs in order to continue to provide an appropriate level of services to the Town of Needham, I will be recommending to the Board of Selectmen some changes to the Town's health insurance offerings. While we continue to seek legislative assistance to provide us with more tools to contain costs, we must take steps in the interim to begin to more closely align our health insurance programs, both with our ability to pay, and with the expectations of our taxpayers. Our citizens are expecting and demanding that we begin to reshape our insurance offerings to be more reflective of the private sector plans with which they are familiar. It is my intent, at least as an initial measure, to make changes to the group health offerings with the least amount of disruption for existing employees.

The changes contemplated do not affect the rate at which the Town and the employees contribute to health insurance premiums, but do impact plan design. Plan design generally refers to changes in out-of-pocket costs such as co-payments for doctor's visits, prescription drugs, hospital visits, and the like. The only practical option available to the Town to implement plan design change at this time is to offer the so-called "Rate Saver" HMO/EPO plans through the West Suburban Health Group

Therefore, I will propose the following provisions to the Board of Selectmen. It is important to note that these provisions apply only to non-represented personnel. Employees whose positions are contained in a collective bargaining unit will be eligible for participation in Rate Saver HMO/EPO plans subject to negotiations between the Town and each employee organization.

1. Non-represented benefit-eligible employees of all Town departments (both General Government and School) hired on or after May 1, 2009, who elect to participate in the Town's group health program, will be required to enroll in the Rate Saver HMO/EPO plans or the traditional PPO/POS plans. As of May 1, 2009 enrollment for new hires in the "traditional" HMO/EPO plans will be closed.
2. All existing employees hired prior to May 1, 2009 are eligible to enroll in the new Rate Saver HMO/EPO plans during an open enrollment period or at the time of a qualifying event, for coverage effective July 1, 2009 or later. Employees hired prior to May 1, 2009 who enroll in a Rate Saver plan are thereafter ineligible to re-enroll in a traditional HMO/EPO plan at any time in the future.

3. Existing benefit-eligible employees who are currently enrolled in a Town-sponsored traditional HMO/EPO plan, and who choose to change health care providers during open enrollment period, are eligible to move from one traditional HMO/EPO plan to another traditional HMO/EPO plan provided there is not a break in coverage.
4. Current benefit-eligible employees who separate from Town service after May 1, 2009 and return to town service as benefit-eligible employees at any future date are eligible to enroll in the Rate Saver plans only.
5. Employees hired before May 1, 2009 who are enrolled in a traditional HMO/EPO plan who change their status from family to individual or from individual to family during an open enrollment or qualifying event are eligible to remain in the traditional HMO/EPO plan offered by the Town.
6. Current benefit-eligible employees enrolled in a Town-offered traditional HMO/EPO plan who terminate health care coverage with the Town for any period of time are ineligible to re-enroll in a traditional HMO/EPO but may enroll in a Rate Saver HMO/EPO plan.
7. Benefit-eligible employees hired prior to May 1, 2009, will remain eligible to enroll in traditional HMO/EPO plans until April 30, 2013. Effective, May 1, 2013 enrollment in the traditional HMO/EPO plan will be closed to these employees..
8. At this time, the PPO/POS plans will remain as options for all current and new employees.
9. Individuals who are enrolled in a traditional HMO/EPO at the time of retirement will be entitled to remain enrolled in traditional HMO/EPO as "early retirees" (prior to age 65), subject to the Town of Needham Contributory Insurance Rules and Regulations. If said retiree terminates health care coverage with the Town for any period of time, or switches to a Rate Saver plan, he or she will be ineligible to return to a traditional HMO/EPO plan in the future.
10. Because the Rate Saver HMO/EPO plans require larger out-of-pocket costs, the Town will encourage broader participation in the flexible spending account program, under which employees may pay these out-of-pocket costs on a pre-tax basis. Accordingly, the Town will waive the administrative fee (currently \$60) for participation in the flexible spending account program for all non-represented employees for calendar year 2010. Thereafter, the Town will waive the fee for participation in the flexible spending account program for all non-represented employees who are enrolled in Rate Saver plans.
11. The Town of Needham reserves to itself, to the fullest extent currently or hereafter permitted by law, the right to make plan design changes in its health

insurance plans. The proposal outlined herein, if adopted by the Board of Selectmen, does not constitute a contractual benefit and is subject to change.

If the provisions set forth above are adopted by the Board of Selectmen, representatives from Human Resources will schedule meetings with managers and non-represented employees to answer questions about the new policy, the new plans, and existing benefits that may complement the Rate Saver HMO/EPO plans, such as flexible spending accounts and prescription drug benefits.

Please feel free to contact me if you have any questions or need additional information.