



# TOWN OF NEW LONDON, NEW HAMPSHIRE

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## BOARD OF SELECTMEN MEETING MINUTES October 29, 2010

### PRESENT:

Tina Helm, Chair, Board of Selectmen  
Mark Kaplan, Selectman  
Peter Bianchi, Selectman  
Jessie Levine, Town Administrator

### Also present:

Carolyn Ellison, New London resident  
Bob Meck, Budget Committee member  
Peter Messer, New London resident  
Barry Morrissey, New London resident  
Hank Otto, New London resident  
Pat & Jack Sheehan, New London residents  
Linda Hardy, Town Clerk/Tax Collector  
Jay Lyon, Fire Chief

Chair Helm called the meeting to order at 8:30 AM.

Chair Helm announced that the single focus of this morning's meeting is healthcare, and her goal is to come to consensus on this topic because the Selectmen have a deadline of November 15 to complete the budget. She stated that she may or may not call on members of the audience for input.

At Mr. Kaplan's request, Ms. Levine reviewed the spreadsheets that had been distributed before this meeting. She explained that the spreadsheet summarizing the survey of area businesses was not accurate because the reporting program automatically put a dash before every answer, so it was difficult to tell whether the businesses had given their employees a positive or negative salary adjustment.

Mr. Bianchi said that he appreciates the information and it is very useful. He tried to review everything and used the summary of health insurance proposals as a basis for his review. He posed the following questions: 1) Should all employees be on the same plan; should the Town offer one or two plan options? 2) Should there be a deductible? And 3) What should the employees and Town contribute to the policy?

Keeping those questions in mind, Mr. Bianchi compared two plans listed on the spreadsheet: the Blue Choice Option 1 & Matthew Thornton Option 1, both of which have a deductible and both of which have the same \$10 co-pay (which is lower than the Town's current plan) and a \$75 emergency room (as opposed to the current plan of \$100). Mr. Bianchi then calculated the percent contribution between the employee and Town, and came up with the following proposal: leave the employee contribution for those on the single plan at 2.5% employee/97.5% town, and for the two-person and family plans, increase the employee share (currently at 8% of the cost above the single premium) to 15% employee/85% Town. Per his calculations, Mr. Bianchi said, he came out with a cost to the Town of \$496,186 (if all employees chose Blue Cross Option 1), plus the cost of buyouts at about \$49,000. He concluded that if the all employees were to go on Blue Choice Option 1, there would be a savings of \$51,800.

Mr. Bianchi went on to say that he did the same thing for Matthew Thornton, using the same 2.5% and 15% employee share. If the whole town were on Matthew Thornton Option 1 and the employee share increased as he recommended, it would be a savings of \$92,000 (compared to the current price and cost allocation of the Blue Choice Two-Tier plan).

Mr. Bianchi said that he did not calculate, nor does he think the Town should pay for, the employee deductibles. He said that with the options he proposed, if the employees don't use the deductible, they still save money on the premiums, plus the co-pay is lower for office and ER visits.

Mr. Bianchi said that his proposal is to not only change the plan, but also change the employee contribution. He said that when the Selectmen went to the School District meeting on Wednesday night, he learned that school employees pay 20% of the point-of-service plan and 15% of the HMO plan regardless of their marital or family status. So as a comparison, the teachers are paying more than the Town employees, excluding what coverages they have. Ms. Levine stated that both School District plans have a \$10 co-pay, which is in the plans Mr. Bianchi just proposed.

Chair Helm said she is a visual learner and needs to see the numbers that Mr. Bianchi just announced. Ms. Levine suggested recessing the meeting briefly so she can update the spreadsheet to reflect Mr. Bianchi's proposals. Chair Helm agreed and the Selectmen voted to recess the meeting at 8:53 AM.

Chair Helm called the meeting back to order at 8:57 AM and Ms. Levine distributed a revised spreadsheet showing Mr. Bianchi's proposal compared to the other options.

Mr. Bianchi referred to the revised spreadsheet and said the total cost to the Town on his Blue Choice proposal would be \$496,192 (before the buyout) and on the Matthew Thornton would be \$455,271. Both plans are with an employee contribution of 2.5% for single and 15% for two-person and family plans.

Ms. Levine said that seeing the proposal on the spreadsheet shows that the increase to 15% for the two-person and family plans is very drastic, increasing the employee annual contribution by \$2000, not including the deductibles. She said she thinks that is too much of a leap to take at once, especially for the lower paid employees.

Mr. Bianchi said that he had backed into this proposal with a goal of finding approximately a 10% reduction in the Town's health insurance costs.

Chair Helm said that one option is to go to a deductible plan and create a pool of money to cover the employees' deductibles for the first year, reducing it in the second year and eliminating it by the third year. This would reduce the Town's savings in the first year but allow employees to ease into the idea of having a deductible. Chair Helm said this gives the message that a change is necessary, as the Town has a generous plan and that needs to change, but still respects the fact that to go right to taking \$2000 from employees is a huge jump and easing into it is perhaps a fairer way for employees.

Chair Helm said that she does have some concerns about creating a pool for deductibles, such as what if the premium changes next year. Ms. Levine said that the Selectmen can make a new decision next year when they have the new premiums then.

Chair Helm said that she wanted to share a perspective with the room: she sat on the same platform this week with two amazing individuals -- Professor Charles Ogletree of Harvard Law school, and Justice Steven Breyer -- at an all-day youth symposium with 500 students from Boston public schools about their futures. She had conversations with both of them and realized that what the Selectmen have to do is be fair to everybody and be respectful of where everybody is coming from. She said that the kids in the symposium have major needs, but there was optimism for the future. She reiterated that she is trying to focus on fairness and respect for town employees and also for taxpayers. She said that for the Selectmen

to make a major jump for employees is not only not fair but is disrespectful, so even though it may not save the Town as much during the first year, a savings of \$50,000 is nothing to sniff at. She would support phasing in the new health plan and in good faith could recommend it to the Budget Committee and to voters.

Mr. Bianchi said that he does not think the Selectmen are being unfair to anybody. His thoughts are that the health benefits are for the employees of the Town and therefore he has not tinkered with the contribution from individual employees but only with how much is given to spouses and families. He reiterated that the purpose of healthcare is primarily for employees. He knows there are philosophical differences on this, but the purpose of health insurance in any organization is to protect an employee from being bankrupted by a catastrophic illness, not to make sure no one has to pay to go to the doctor for sniffles. He said the question then becomes how much should employees have to spend on routine every day sniffles & colds.

Chair Helm said that she respects that philosophy but doesn't agree because she believes that part of each employee's health relates to the health of the family. She understands what Mr. Bianchi is saying but can't subscribe to that.

Mr. Kaplan said he is stuck on the fact that only two employees went to the Matthew Thornton plan this year, as compared to the Blue Choice. He asked what the limitations are to Matthew Thornton and why employees took the one that was more expensive. Ms. Levine said that she thinks there are two explanations: the first is that the employees on the Blue Choice plan went from the Three-Tier to the Two-Tier plan, so there was already a reduction – perceived or real -- in plan benefits so a move to the Matthew Thornton plan was another step down. She said that these employees obviously made a choice that they wanted to spend a little more to get more coverage. Second, she said, perhaps the incentive to go to the less expensive plan was not strong enough because there was not enough difference in cost to the employee to go to the less expensive plan.

Mr. Kaplan said it is clear that employees are willing to pay more for what they think is better coverage.

Chair Helm said that she knows the health coverage is a decision that the Board of Selectmen has to make, but she is interested in Ms. Levine's opinion. Ms. Levine said that she is primarily concerned about lower paid employees who will take a bigger hit out of their paycheck if the Selectmen increase the cost share. She said that an across the board increase is regressive in nature and will particularly hurt the people with lower incomes. She said that the model Hanover uses is to have a graduated share of the premium paid by the employee based on income – 10% for employees who make less than \$45,000, 12% for those who make between \$45-55,000, and 15% share for those who make over \$55,000. She said that she understands the need to move to a better health plan design, but is concerned about a drastic change that employees would struggle to afford.

Mr. Bianchi said that he thought we could not take salary into consideration, but if we are doing so we should keep in mind that 30 employees will be getting 1.7% raise. Ms. Levine said that salaries can be taken into consideration when looking at employee compensation, including benefits, but that the level of health benefit should not be taken into consideration when discussing salary because one employee with a family plan should not be treated differently from another employee with a single plan.

Pat Sheehan said that she really appreciates Ms. Helm's comments about fairness to low income individuals. She would like to bring up another category of low income individuals and that is retired people in this Town who live on modest incomes and are taxpayers. She knows what they live on because she does the volunteer income tax program in this Town so she prepares their taxes and knows how they are struggling. She added that the new Medicare D premiums just came in the mail and the premium for Medicare D is going from \$27/month each in 2010 to \$36.40 each, which is a 35% increase

in premium, and the deductible will increase by 50% from \$100 to \$150, and the prescription co-pay for 30 days is going from \$6 to \$8, a 33% increase. She and her husband can afford it and they are fortunate, but she knows that there are taxpayers in this town who, when they get their letters this week, will have to make decisions between what they eat and paying premiums or filling their prescriptions. She appreciates the thoughts about low income employees, but New London also has low income taxpayers and she asked the Board of Selectmen to think about them when making their decisions.

Chair Helm said that she did not want to insinuate that there are not needy people in New London. She asked Ms. Sheehan to estimate how many folks are in the category she's talking about. Ms. Sheehan said that she did 400 tax returns on volunteer basis, not all for retired people, and she would say that across the board the average income for the people who come is about \$50,000 a year. Most are married couples, and healthcare costs are their biggest problem.

Bill Helm said that he looked at the same Medicare information yesterday and noted that there are 32 Medicare Part D plans that New London residents can have and he found that he could pay the same premium by switching companies. Referring to Ms. Levine's spreadsheet, he sees that the Town could save \$50,000 including the deductible pool, and in that plan every employee would be paying lower premiums, so he wouldn't imagine it would be difficult to sell the idea to employees if the Town saves and every employee pays less. He admits that employees would have to pay \$20 for certain services, but the premium is lower and the Town would save \$50,000. This change begins to address the question that something has to be done. Chair Helm said that she understands the employees' concerns about change, but her household has changed health care every year to find the same plan for the same cost.

Bob Meck asked if, when an employee is injured on the job and worker's compensation comes into play, would health benefits also come into play? Ms. Levine said they would not; if worker's compensation covers the injury then the health plan is not used. Mr. Meck said there is another avenue if there is a problem with a work-related injury. He said that he and his wife volunteer at the food pantry at the church, and on Wednesday night 29% of the people who came to use the pantry have an address in New London. The food pantry does not do a means test, but even if they are renters, he is sure that when the taxes increase, the tenants feel the impact of that. He asked the Selectmen to take that into consideration as well.

Jack Sheehan responded to Chair Helm's statement about fairness; one thing that struck him is the suggestion that the single employee pay 2.5% and those on the two-person or family plan pay 15%. He said that it seems that a single individual is paying a lower percentage of a lower premium, and the family plan is paying a higher percentage of a higher premium. He agreed that changing from an average of 5% to 15% is too big a jump in one year and would not be fair or sustainable. He said the Selectmen should think about a target number, whether it's 15% or 20%, and reach that in stages -- perhaps over a three-year period -- to get to where they need to be, and they should compare themselves not just to municipal and school employees but to all industries we compete with, such as Colby-Sawyer and the Hospital. Chair Helm said that idea was implicit in her notion of phasing.

Laurie Jacques said that she appreciates what the Selectmen are going through, as Twin Lake Villa just renewed its health care and had to change the plan and the deductible for the fifth time in ten years. TLV's plan with Matthew Thornton increased 37% this year and went from a \$2000 to \$5000 deductible. She said that a big point in their decision-making was the usage by employees, and what has not been talked about this morning is what the plans cover. There is a point where the plan should be looked at as catastrophic, and she hopes no one reaches that point, but the Town has to look at what could be out-of-pocket, and she thinks New London is very good at encouraging healthy lifestyles for employees. She agrees that going from 2.5% to 15% in one year is too much, but employees have to take some responsibility and understand the extent of the cost of health care and take ownership of it.

Chair Helm agreed that everyone has to be invested at one level or another

Jim Wheeler said that his sister has been a nurse at Dartmouth-Hitchcock Medical Center for 30 years and DHMC just raised the employee contribution from 10% to 20% in one year for all full-time employees, and raised it to 30% for less than full-time. He does not advocate such a jump in one year, but it is not something that is not done. He agreed with Bill Helm that the Matthew Thornton Option 2 seems like a good one, and he sees no reason to offer more than one plan. Ms. Levine said that offering more than one plan allows employees to have the option of different coverage. Jim Wheeler said he still does not see the benefit of having two plans. Ms. Levine said there could be a benefit to the employee with no added cost to the town.

Chair Helm said this reminds her of a story about designer jeans; she gave her daughters an allowance for jeans, and if they wanted designer jeans they had to pay the difference. Two of her daughters did, and two did not. Her point is that she agrees that the more individuals are invested in what they want or don't want, the better off everyone is. That said, she has no problem, particularly for this next year, giving employees a choice and if they want to throw in more of their own money to get more coverage without costing the town, then she doesn't have a problem with that.

Mr. Kaplan said that he is leaning towards what Bill Helm mentioned because it does two things: there is potential for the Town to save money while easing the financial pain that employees may have by setting up fund to pay for the deductible. While he does not like taking away the employees' choice, the fact of the matter is that the employees and the Town are under a lot of pressure and therefore feel like they have to satisfy as many people as possible. That's the plan he's leaning towards.

Carolyn Ellison asked what would happen to the fund if some people used it and some people did not. She has only used that kind of thing twice in 19 years of marriage, whereas other people may go once a year and have some kind of surgery. Ms. Levine said that she thinks the people who didn't have to use the fund would be happy that they didn't have to. She does not think the employees would be resentful of people who did use the fund.

Ms. Jacques said that New London's health insurance probably has a rating factor based on usage, so the Town should congratulate employees who don't use it.

Chair Helm asked Ms. Levine if the reimbursements for deductibles would be a taxable benefit, and Ms. Levine said she did not think so but would check.

Barry Morrissey said that he thinks creating a fund would result in a negative perception of the Town. He asked the Selectmen to imagine what will happen when word gets out that Town is covering a deductible pool for 40 employees versus 400 low-income people in this town. He said it creates the wrong image.

Ms. Levine said that there is a similar program for taxpayers, and that is the property tax exemption that is available to low income taxpayers. She said that there are never more than ten taxpayers who take the exemption at one time because even if the taxpayers have a low income, such as Ms. Sheehan suggested, their income is generated by assets that are too high to qualify for the exemptions.

Jim Wheeler asked for confirmation that the idea for the deductible fund to be available for one year, and Ms. Levine replied in the affirmative. Mr. Kaplan said this discussion can be reviewed every year. Chair Helm said the pool could still exist the second year but reduced, and in the third year have no pool at all, or the Selectmen could decide that there would be no pool in the second year.

Mr. Wheeler said that it sounds like there is a philosophical agreement that a transition needs to be made for public employees to contribute more to health care premiums, and if the Town pays for the deductibles and employees pay less for their annual premiums, that's not reaching that goal. Ms. Levine

said that there is a reduction of coverage that employees will bear, and that they would be taking on more of the cost but not all at once. Chair Helm reiterated that this proposal reaches that goal in the second year.

Mr. Bianchi said that to put this discussion into perspective, if the Town goes to the less expensive plan, the employee will save \$300 on the family plan, which is almost half of the deductible. He would not fund the pool. Chair Helm said it may well be that the Town sets the pool aside and it's not even used.

Laurie Jacques said that if the Town did not have the pool and it increased incrementally what employees had to pay over a two-year period, it would sell better to the taxpayers. She agrees with Barry Morrissey and Jim Wheeler that people will not be happy when they hear that a pool has been created to pay the deductible and no one is going to pay their deductible. Ms. Levine said there are other towns, such as Hinsdale and Temple, and other businesses that pay the deductible. Lake Sunapee Bank, for instance, has a high deductible plan and the employee pays only the first \$750 of the deductible.

Mr. Morrissey said that in corporate America, one of the highest conflicts of interest is when a proposal is made by the CEOs that the corporation pay their income taxes. That's how egregious it is, he said, and in his way of thinking the pool doesn't pass the "smell test."

Mr. Bianchi said he talked to one person in charge of a large group of employees who puts a pool aside, and he said they average using only about 42% of the pool. Mr. Bianchi repeated that he is against the pool. He has no problem with having everyone go to the Matthew Thornton Option 2, which would save the Town money and the employees considerable money especially if don't have to use the deductible, and even if they did, it would not be that much more out of pocket.

Chair Helm said that education is important, and listening is important, and one of the things she's learned on this job is that there are a lot of people ready to talk and not always ready to listen. She hopes the role she has played is to do more listening.

Mr. Bianchi said that if the Selectmen approve the Matthew Thornton Option 2 today, with or without the pool, there is still the option to slowly increase employee's contribution, maybe not as radical as 15%, but from 2 to 4% and from 5 to 7%, for example.

Chair Helm asked the members of the Budget Committee who have sat through these deliberations to realize that the Selectmen have made an effort to come up with a workable solution that saves money for the Town.

**Mr. Bianchi moved to put all employees on Matthew Thornton Option 2 plan as presented in Ms. Levine's latest spreadsheet (2% single, 5% two-person and family cost-share), with no pool for deductibles. Mr. Kaplan seconded the motion.**

Ms. Levine said the total cost to the Town, including buyouts, would be \$536,488. Mr. Kaplan said that he likes the plan and likes the format it is moving towards, but he is concerned about the deductible and would like to see a fund of \$16,250. If it is anticipated that half will be used, he would be willing, if Mr. Bianchi is willing, to amend the motion to create a fund of \$8,125.

Ms. Levine said that the lower amount would be okay as long as there are parameters to it, such as it could only be for people who make less than a certain amount of money, or only pay up to \$250 for each employee. She would be worried that a pool that is too small would run out and would be a "first come, first serve" fund, which would create problems if someone had a major surgery or injury later in the year. Chair Helm said she would prefer funding the pool at \$16,250 and thinks a fair amount would not be tapped and could be returned to voters later.

There being no further discussion, **Chair Helm called for a vote on Mr. Bianchi's motion. Mr. Bianchi voted in favor, and Mr. Kaplan & Chair Helm opposed, so the motion failed 2-1.**

**Chair Helm moved to approve Matthew Thornton Option 2, with the establishment of a pool of \$16,250 for deductibles for the first year only. Mr. Kaplan seconded.**

Mr. Bianchi asked if it should be \$18,000, which is what he calculated the cost of the deductibles to be. Ms. Levine said that she thinks \$16,250 is enough to cover what would be used.

There being no further discussion, **Chair Helm called for a vote. Chair Helm & Mr. Kaplan voted in favor, Mr. Bianchi voted against. The motion passed 2-1.**

Ms. Levine asked if the Selectmen wanted to offer a Blue Choice option if the cost is the same to the Town. She would have to back into the percentage that employees would have to pay to keep the cost the same to the Town, but would be close to Mr. Bianchi's suggestion of 15%. This gives employees a choice without adding to the Town budget.

**Mr. Kaplan moved to offer the Blue Choice plan at the same out of pocket cost to the Town. Mr. Bianchi seconded the motion.**

Mr. Bianchi said he is concerned that it would send a mixed message that the Selectmen are not sure what they wanted to do. Ms. Levine said that she thinks the message is that the Town wants to spend \$536,488 on health care and the employees can decide which plan they want to use.

Jay Lyon asked if the employees on the Blue Choice plan could use the deductible fund, and Ms. Levine said they could not. Mr. Lyon said that in effect, that plan would actually cost the Town less. Employees who choose to stay on the more expensive plan may do so because of family need, and it would cost the Town less and also show the need that certain employees have to stay on that plan. Mr. Kaplan said it would also show what employees are willing to have their costs increase.

There being no further discussion, **Chair Helm called for a vote and it passed 2-1.** Mr. Bianchi said he only voted against the motion because he wanted to be clear about what Blue Choice plan would be offered.

**Mr. Bianchi moved that the Blue Choice Two-Tier plan currently used be the alternative plan for Town employees. Chair Helm seconded. Motion passed 3-0.**

Barry Morrissey asked to clarify the option of the deductible, if it was open to everyone or if there would be some restriction. He asked what would prevent one employee from depleting the fund. Ms. Levine said it would be open to everyone but there is a maximum deductible of \$250 per person and up to \$750 per family, so the exposure is limited.

Meeting adjourned at 10:30 AM.

Respectfully submitted,

Jessie W. Levine  
Town Administrator