

BUDGET REVIEW COMMITTEE

JULY 22, 2019

A meeting of the Budget Review Committee was held Monday, July 22, 2019, at 7:27 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd, Chairman, Chairman, presided.

Members of Committee present: Alderman-at-Large Lori Wilshire, Vice Chair
Alderman-at-Large Michael B. O'Brien
Alderman-at-Large Ben Clemons
Alderman Jan Schmidt
Alderman-at-Large David C. Tencza
Alderman-at-Large Shoshanna Kelly

Also in Attendance: Alderman Ernest A. Jette
Alderman Patricia Klee
Kim Kleiner, Administrative Services Director
Larry Budreau, Human Resources Director

PUBLIC COMMENT - None

PRESENTATION

Workplace Benefit Solutions Presentation on City's Health Insurance. As you speak, would each of you identify yourselves?

Kim Kleiner, Director of Administrative Services Kim Kleiner Director of Administrative Services.

Tom DeLacey Tom DeLacey, Principal Consultant with Workplace Benefits Solutions.

Larry Budreau Larry Budreau Human Resources Director.

Ms. Kleiner

So Chairman thank you very much for having us here this evening. I believe one of the reasons that you asked us here was a concern after what we saw in the Fiscal 2020 Budget. So we know that there was a total increase in the budget of \$7.5 million. \$3.3 represented health care and we know that is an 11% increase and that's a problem. It's a problem with sustainability and moving forward for us as we start to look at other priorities that we have within the City.

I am going to turn it over and ask Director Budreau to tell you a little bit about Workplace Benefit Solutions and then hopefully at the end of Mr. DeLacey's presentation we can discuss a little bit on what we would like to do going forward.

Larry Budreau, Human Resources Director

Tom DeLacey has introduced himself already; he is a principal consultant for a company named Workplace Benefits Solutions. The name of the company describes the business that they are in. They consult with businesses in affording employee benefits. He has been consulting for the City of Nashua for 9 years.

He has been in the business of consulting for 25 years and he does so employee benefits consulting for both New Hampshire and National clients. Thank you. Tom?

Mr. DeLacey Good evening, thanks for having me here. We've got about 25 or so slides to go through; I'll keep it moving along. But certainly feel free to ask questions. It is really your meeting to understand the history of kind of what has happened with healthcare in Nashua and your health insurance program. We will talk about some of the challenges that you face and really all employers face in healthcare. Then we will talk about some of the opportunities where we can, as we like to say in the industry, bend the curve a little bit.

Without further ado, I'll jump right in. Just a little bit about WBS, so Workplace Benefits Solutions was founded by my partner and myself about 15 years ago with the advent of healthcare reform. We realized that bigger was going to be better; more resources, more capabilities. It is very interesting when we ... so in over the course of about a year we looked at different things whether they be acquisition or selling our firm to a larger organization. We ultimately chose to sell to HUB International, which just some stats up there have over one million clients and are the 6th largest broker in the country. And HUB is really an acquirer. So they look for shops kind of like ours and they add on resources throughout the country as needed. Interesting note that when we started with HUB in 2012 we had two attorneys, one on the east coast, one on the west coast. Now we have six on the east coast. Just really a testament I think to how the business has changed.

So really what we do is we take the consulting that we have developed here in New Hampshire with having underwriters on staff, access to actuaries, risk attorneys, lead management specialists and so on. We take our own local resources and augment them with resources from HUB. Just of our clients I won't spend much time on this, but our average client is about 12,000 or 13,000 employees; the mean is somewhere around 900 or so and these are just a few of our clients. We are somewhat heavy in municipalities and healthcare as we developed our organization we just wanted to focus on large employers, we don't work with groups of 50 or 100 or 150 employees generally. Your biggest employers in any area are generally the City or Town itself and the Local Hospital, so that is why we really became heavy in those two areas.

I want to talk a little bit about cost and trend factors. So "trend" is a term that we use in the industry that is really synonymous with inflation. So when we look at the major carriers in the market, trend or medical inflation year over year for the last 10 years or so has hovered right around 9%. What this means is, let's say you were fully insured, meaning you were just paying a premium and the insurance carrier was taking a risk. If they actually nailed your expected claims, they got it exactly right, you would expect a 9% increase for the next year. We manage well below that and if you think about it, everyone is dealing with this; 9% is just not sustainable when inflation is 1.0 or 1.5% average raises are in that same 1.5, 2.0% range. So when healthcare is going up at 8, 9, 10% a year, that just squeezes the balloon for everybody. It squeezes your budget; it squeezes your employee's budgets and it squeezes everyone's. So this is really what we have been dealing with over the last 10 years or so.

Where does 9% trend come from? Well when we look at this the reality is people will point and say "well it's the insurance companies; No it is the pharmaceutical companies; No it's the hospitals; No it is this group, No it is that group" – The reality is it is a lot of different thing, OK? When we look at that 9% a portion of it CPI just the cost of things going up year over year. A portion of it is drugs and devices where you might have one therapy, let's say prescription drug that works reasonably well might cost \$80.00 a month. Well a new drug comes on the market and it is incrementally better, everybody agrees this is a better drug, you'll have a better outcome there will be less side effects. That new drug may be literally \$700.00 a month so it is transferring one for another.

It is provider expenses you know providers wanting 2, 3, 4, 5% increase and increase in consumer demand. You know if you look right now at the State of New Hampshire building projects and hospitals, they are almost constant, right? Its kind of like "if you build it they will come". So there's always that increase in demand. So there is no one reason for these double digits or high single digit increases in trend. It is a combination of multiple things. It really is our job to try to control that.

Over the years we have done a reasonably good job. So the blue line is your actual claim cost per employee, per year. So that is a measurement that we use so that you don't have changes based on enrolment. So one year your costs are \$30,000,00.00 and you've 2,000 people on the plan. The next year they go up to \$40,000,000.00 but you've got 2,500 people on the plan. So that is why we use this per employee/per year measurement. The red line what the number would have been if we were at industry trend for that same period of time. So you can see we are about half of industry trend. But the alarming issue is if we look in the last three years, we have behaved, or our experiences behaved more like a traditional group. Whereas you look earlier on we were seeing increases on average 2 or 3% which is fairly manageable. I think we need to take action to get back to where we are controlling costs. And we will talk about the challenges we have and some solutions to those challenges.

So just a little bit of history, when we started working with the City you had two different carriers. You offered Harvard Pilgrim and you offered Anthem. And those carriers, that language was built into the contract; it said "hey you will offer Harvard Pilgrim and we will offer an Anthem Program". Well the carriers knew that so when we first started working with the City we saw that your administrative fees that you pay the carrier and the City of Nashua is self-funded which means we pay the administrator, Anthem or Harvard, a fixed dollar amount per employee per month. The claims are our responsibility; but our carrier pays the claims, they provide a network, they answer the phones, customer services, they provide disease management, medical management programs, pharmacy services and so on. We just pay a fixed, small fee for that and then the claims are the City's liability. And then we have stop loss protection around that so we don't get hit with catastrophic claims.

So one of the things we did early on is look to the carriers and say, look we know that there's language in the contracts that say we have to have you but we need a more reasonable rate. We are able to cajole them into reducing administrative fees and we were able to increase pharmacy rebate. A pharmacy rebate is when a manufacturer sells a drug to a pharmacy benefit manager, think of Express Scripts, CVS Care Mark, when they sell it to them, they get a rebate or what they would call a concession. Think of it like getting shelf space at a grocery store, you know, that space that's right at eye level perfect vision. You are paying a little bit more for that if you are selling your product, whether it is Nabisco or whatever it may be. Similar type of thing with pharmaceuticals. We are also able to negotiate over time some benefit design changes. So office visit co-pays went from \$10.00 to \$20.00; in patient deductible went from \$0 to \$250 for an individual; \$500.00 for a family. Co-pay changes to emergency room; whenever we make changes to plan design there is a certain amount which is cost-shift. Meaning the employees are paying more for services but there is a certain amount that just sort of evaporates. Because as things cost more people are more judicious about how they use them. Well if my ER is \$100.00 maybe I wait and see if this is going to get better tomorrow or I get into my doctor's office or maybe I go to a medi clinic or urgent care. So I use a lower cost alternative.

We adjusted employee contributions and we've really tried to focus on education so that people understand the value of health care and the cost of health care and try to make good decisions. And I will tell you the industry over the last 20 years has made it really hard for people to make good decisions. Because if we think prior to HMO's everybody had an indemnity plan, right? You paid a deductible, maybe it was a small one, maybe \$100.00 and then you pay 20% for the service; the plan paid 80%.. But you saw what things cost. Along came HMO's and said, hey we are going to make this really easy; just use a doctor in our network and you pay \$5.00 at the doctor's office and that's it, you don't have to worry about a thing. Well people lost touch with what things cost. I think now we started maybe 4, 5, 6 years ago you started to see that sticker shock at the pharmacy, where someone would go in and think this Oh this drug is \$5.00. No the cost of the drug is \$260.00 but you pay \$5.00. So the industry is really changing back to that indemnity mentality to get people understanding the cost of services and we will talk a little bit more about that and some techniques we are using.

A couple years later we did another bid on administrators. We were really seeking to try to get to one administrator but ultimately we stayed with both Harvard and Anthem. We were able to increase pharmacy rebates with both carriers to 100% of the rebate, it was an additional \$156,000.00 in savings. We were able to further administrative costs in \$80,000.00 in annual savings and secured wellness funds that we can use to try to educate employees on using the low cost providers when possible.

Try to educate people on having their wellness exams and things like that; those are not the things that drive healthcare, it is not having those check ups and things like that that really do.

We also implemented a high deductible plan with an HSA as an option so employees can choose this if they want. It is a very attractive plan and in my opinion the most efficient and effective way to deliver health care for an employer to deliver it to their employees. This plan has upfront deductible with the exception of preventative care. You pay the first \$2,000.00 or \$4,000.00 per family. Think of it like your auto insurance, you have a claim on your auto insurance, you have a \$1,000.00 deductible, you pay the first \$1,000.00 the plan pays the rest. But because we've raised that deductible so much, think about your auto insurance so much, think about your auto insurance again, you raise your deductible, what happens to your premium? It goes down, right? So we raised that deductible, we take that savings and we use it to fund a tax free health savings account that the employee, money goes in from the City for the employee, the employee can also put money in themselves. That plan is about 15% less costly than the HMO. And really what it does is it activates the consumer and everyone. Because any money that I don't spend in the HSA, rolls over tax free, year after year after year. So instead of spending someone else's money, now I am spending my money so I want to be more careful about it. I'll take the generic drug instead of the brand name drug; go to the Urgent Care instead of the ER, go to the independent lab versus the hospital lab and so on.

We also a number of years ago looked at the post-65 retiree coverage. So you offer a plan to post-65 retirees that sort of wraps around Medicare. And you offered two fully insured plans back then and one self-funded plan. And we looked at the utilization and said, hey you really are disadvantaged yourself because what happened was the more sickly people would stay on the self-funded MediComp Three Plan through Anthem Blue Cross which they were used to for years and years and years. The more healthy people would go to the Harvard Medi Gap type policies. Ultimately, we also wanted to remove that risk from the City because the City makes no contribution to that plan. So if that plan runs higher than the rates, higher than expected, the City would actually be making a contribution to that unknowingly. So we were able to negotiate a contract for one fully insured Medicare Advantage Plan, that plan you still have today. The savings for employees was 20% to 50% depending on which plan they were coming from. That was anywhere from \$100.00 to nearly \$250.00 so huge win for the employees and it removed that liability from the City. And that's all we have. I don't know where the rest of the presentation went. Now the whole thing is gone.

Ok we have a backup; so in 2019 most recently we performed another RFP so about 3 to 4 years we do this. We were at that point able to consolidate to one carrier so we chose Anthem as the administrator. A couple of interesting things here, we added a transparency tool called Smart Shopper. This was actually pioneered in Manchester, New Hampshire. Now this product is offered in 32 states around the country. We added a communications platform called Global Health. The City of Nashua is the second group in the State to have this program through Anthem. The State of New Hampshire Employees is the first. This is really a tool that we can electronically communicate with employees through their handheld device. We think that is going to give us an advantage over time of being able to push information to them that will be beneficial for them relative to their benefits. We could really do it relative to most anything within the City. We also performed a pharmacy RFP. We look at different pharmacy benefit managers because we want to get the best pricing, so the greatest discount off of brand and generic drugs. We also want to get the best pharmacy rebates with the best medical management programs.

We like the idea of having pharmacy carved in, meaning it is with the administrator because there is an instant flow of data from medical to pharmacy. So they can literally see that, well Tom has been in the ER three times in the last three months and he's taking this medication. There is something going on here and there is a potential for sort of a minor disaster here. They can reach out to the provider and say hey based on these situations we think Tom might be at risk for a cardiac event or whatever that might be. So having that data integrated we think is important. But we did go out to a number of vendors and we really used that as leverage to get the very best deal that we could from Anthem through their new pharmacy benefit manager which they brought in-house called Ingenio RX. We were able to enhance our discounts off of wholesale pricing and were able to enhance our rebates.

The estimated savings from that is about \$1 million dollars a year between administrative fees, pharmacy rebates and improved discounts from the pharmacy program. The added benefit is one carrier making things just a lot simpler to administer.

So that is kind of the history of what we have done but challenges are really everywhere in healthcare. I would say probably the biggest one is consolidation. We are faced with carrier consolidation; we are faced with provider consolidation. Everyone is looking to gain greater leverage and quite frankly if we go back to 2012 that's exactly what we were doing; greater resources to bring to our customers that would make us a better company. A lot of carriers are doing the same thing, thinking about combining; hospitals doing the same thing. We are also dealing with continued increased medical costs and pharmacy spend that is spiking like it did 12, 15 years ago and it really is around specialty pharmacy. These are drugs that are coming out at \$300, \$400, \$500,000.00 a year for one individual.

Carrier Consolidation that was thwarted; you probably remember Anthem's attempt to buy CIGNA. That was very concerning for us. I actually testified at the State with the Attorney General's Office about what we felt would happen to the market when we have two of the biggest carriers now becoming one controlling over 60% of the commercial market. We really didn't think that was a good idea. Aetna attempted to buy Humana; Humana attempted to buy Centene. These were all thwarted at the Government level and a big player of that was the AMA where their research contended that 46% of Metropolitan Statistical Areas had one insurer controlling 50% or more of the market. That's not a good thing for employers, OK? We want a robust market; we want competition. That drives innovation and it drives better rates and so on.

There was consolidation though between carriers and pharmacy benefit managers and I don't think 5 years ago anyone would have thought this was possible. But if you go the middle, CVC Care Mark bought Aetna Health Care; one of the largest health insurers in the country for the last 40 years - \$69 billion dollar. So a pharmacy chain spending \$59 billion dollars to buy a health insurance company. That tells you the amount of money that is in pharmacy and pharmacy benefit managers. CIGNA bought Express Scripts as sort of retaliation or an answer to the Aetna/CVS. CIGNA and Aetna are very competitive nationally for national accounts in regional markets and so on. And I think for similar companies. They bought Express Scripts for \$52 billion dollars. Express Scripts was the largest pharmacy benefit manager; touching one of every 5 Americans. This was interesting as well, United Health Care their subsidiary Optimum which is a PBM pharmacy benefit manager, they bought the clinics from DaVita Health for \$4.9 billion dollars. About 5 years ago they bought 150 Urgent Cares called MedExpress for \$1.5 billion dollars. So we are seeing carriers getting into the provider space. And we are seeing providers become carriers in certain markets, down in the Pittsburgh/Pennsylvania area has been both insurer and provider for the last 15 or 20 years.

We also have provider consolidation; Mass General acquired Wentworth Douglas. Mass General is seeking to acquire Exeter Health Resources. So Mass General, if you are familiar. Mass General partners, they acquired a lot of hospitals in Massachusetts and they basically have been shut down from acquiring anyone else because the health system is so big it is driving the market. It literally has about a 50% reimbursement advantage over other providers. That is disadvantage for the carriers, meaning that the carriers are paying them about 50% more than they are paying other providers, community hospitals and so on.

Elliot Health System merged with Southern NH Medical Center to form Solution Health. Dartmouth Hitchcock and Catholic Medical Center have joined operations, essentially a merger. Frisbee was acquired by HCA which also owns Portsmouth and Parkland. We are going to continue to see that. As carriers get bigger, hospital systems join for efficiencies but also to drive better reimbursements from carriers, more negotiating leverage.

So Pharmacy, if we get away from sort of the consolidation challenges, pharmacy is a huge challenge. So if we look at the inflation for the last 10 years, it is about 17% in total. In Pharmacy, in 2008, pharmacy was 10% of cost. Now it is 19%; a 9% increase. Average cost for a prescription was \$72.00 in 2008; now it is about \$126. And the per member/per month cost measurement of how we evaluate has gone up 75% from \$66.00 to \$116.00. Now remember about 86% of your drugs purchases are generic drugs. What we see on the next page specialty drugs now account about 40% of all the pharmacy spent.

So 1% of claims are driving about 40%. And if we look at this back in 2008 brand drugs were 34%; generic drugs were 65%; specialty was .3. Now specialty is 1.1, generic is 86 and brand is 12.9 but look were the cost has gone. 40% of the cost is in specialty drugs.

Alderman Wilshire

I have a question about that, because what do we do about biologics that are extremely expensive medications?

Mr. DeLacey

It is a huge challenge and quite frankly the carriers are trying to figure it out. Nobody really has got an answer now. One of the things that we talked about; there is a drug out right now that will cure blindness in children. I'm not sure if anyone is aware of this; it is amazing. We thought "amazing" 3 or 4 years ago was we can cure Hep C. That was \$100,000.00 to cure Hep C. If you unfortunately had to take two doses, they discounted it to about \$119. But this drug will cure blindness in children; it is a million dollars. But if your child was blind and they could cure that who wouldn't say, Sign me up; I sure would. So we are at this point where we can cure things that were incurable, but the cost is outrageous. And I think what happens is we end up paying for the rest of the world because in many countries there are caps on what can be charged for these drugs. In the US there aren't. And the argument would be, well if you cap the drugs, if we are not able to make money, we are spending a billion dollars in research, how do we continue to do that, people won't get the treatments that they need, on and on and on. So it really is a difficult argument. So I don't think we are going to solve that issue but I think that there is so much opportunity elsewhere that's where we should focus. There is a lot of low hanging fruit. I don't think there is an answer for that and I don't think there will be one anytime soon.

It was interesting just a couple days ago there was a drug called Soliris that came out. This drug treats, it is called MOSD don't ask me to get into all of that, but it is an auto-immune disorder; \$700,000.00. So Medicare is looking at, well this will add almost a dollar per member per month to Medicare spend. \$1.00. But for that person who needs that drug, it is life-altering, maybe life-saving. So if I have depressed everybody enough we will get into some things that are a little more positive.

So I just want to give everybody a sense of where the dollars are spent. So when we look at a self-funded plan, we are trying to eliminate taxes, premium taxes of 2%, federal fully insured health tax of 3.5% so on and so forth. So our administrative fee that we pay Anthem for all the work that they do, to pay the claims, to provide the network, to do the disease management, to provide the pharmacy program and on and on and on, we pay about \$1 million dollars. That is about 2.6% of our spend; stop loss is the insurance that we purchase for catastrophic events. Well it is not even catastrophic anymore when somebody has a \$700,000.00 prescription drug. But any claim over \$350,000.00 the insurance company pays that. Each year we shop the stop loss but it is a commodity. As long we have the right contract with the right provisions, we are fine and it is completely blind to the employees; we want to get the best deal every year for them.

We don't shop administrators every year, changing is very difficult, but we make sure that they are providing the best discounts and the best value for the dollar. Stop loss typically we get somewhere around 50 to 60% of that money back in reimbursements, but it is a spend and it is a spend that we think makes sense. It ends up being probably on average about 1% of your budget. But when you have that horrible year where you have \$2 million dollars in large claims, you are happy that you have that, OK? Medical claims is \$30.5 million; Pharmacy claims are about \$7.8 million; total of about \$40 million spend on health care. We talked about rebates earlier, rebates are not in that \$40 million dollar number. We get back about \$1 million/2 in pharmacy rebates. That essentially offsets our administrative fee and a chunk of our stop loss. So when you put rebates back into the equation, we are operating this plan at virtually nothing. The point of this is we've got to the claims; we have done everything we can around the administrative fees; we have got to get the claims. We've got to engage people to do that.

So this is a little bit busy, I'll just have you focus on cost share. This isn't cost share when you think about what do I pay out of my paycheck. This is cost share where you say if I have a dollar for a claim what percentage is paid by the plan and what percentage is paid by me the member. So City of Nashua and these are Anthem customers and then the sort of Anthem Book of Business Customer Five. So the City of Nashua is 95.5 meaning that the plan pays 95.5 cents of every dollar spent on health care. The employee pays a little bit under \$5. Customer 1 another municipality 92.8; customer 2, 88.3; customer 3, 92.4; customer 4, 93. The average customer out there for Anthem be they fully insured or self-funded, large or small is about 78%. So the important thing here is you have a really, really rich benefits plan. It is one of the richest in the State, richer than the State of New Hampshire Employees. That's a good thing; that helps you attract employees; that helps you help them take care of their families and so on. But let's look at that plan design and say, are there are things that we can do that don't disadvantage employees but do help us control costs?

This is sort of the blunt force trauma approach I guess I would say and that is, there are levers that we can pull and one of them is plan design. Another one is employee cost-share, what employees pay out of their paycheck. I'm not a fan of pulling that cost share lever because when you pull that cost share lever that saves \$1 million dollars and you say you are going to go from paying 20% to 25% you have just shifted \$1 million dollars to the employees. I would rather focus on plan design where we can save \$1 million dollars, you are going to shift probably half of that to employees in the fact that they are going to pay more when they see the doctor or pay for a prescription but half of that is going to disappear through behavior change, ok.

These are just some examples; you know changing the in-patient deductible and the facility deductible to \$500.00 and \$1,000.00 it is 2%. \$1,000.00/\$2,000.00 is 9% - at the bottom everybody goes through the HSA 15%. I would argue that if everyone was in the HSA people would be better off from a plan design perspective, have more money in their pocket and you would have a better plan and lower cost. We are starting to see migration, we are getting there. If we look to a year ago in July, July of 2018 we had about 420 people in the HSA; in May we had 480, right now we are hovering around 560 with the July Open Enrollment, we are getting there, but very slowly.

Alderman Clemons

I have a question about that and correct me if I'm wrong, but right now the way that works is it is \$2,000.00 for an individual let's say it is a \$2,000.00 deductible but then the City gives \$1,500.00 back?

Mr. DeLacey

Correct.

Alderman Clemons

So essentially the employee only pays \$500.00.

Mr. DeLacey

Yes so the City puts \$1,500.00 into a Health Savings Account which is tax free, grows tax free, and comes out tax free for qualified expenses. It is kind of the Holy Grail of taxation there really isn't anything else like that. So it gives employees – and that money rolls over year after year after year. So it is not like an FSA where you use it or lose it. So yes, a \$2,000.00 deductible you get \$1,500.00 in your HSA and there is a little savings out of your paycheck because the HSA is a less expensive plan. I think that's about \$150.00 which we would say to the employees, put that money into the HSA so you can pay your deductible.

Alderman Clemons

So my question there is, over the long term, right, I guess where I am – the math in me doesn't jive or where I can't figure out how that works. How is it that the City giving \$1,500.00 back on a \$2,000.00 deductible saves anybody any money.

Mr. DeLacey

Saves the City money? Do you want to talk about the City first or the employee.

Alderman Clemons

I understand how it saves the employee money but how does it save the City money?

Mr. DeLacey

Employees behave differently. So they are more likely to have preventative care, good thing. They are more likely to follow doctor's instructions, they are more likely to use generic drugs, they are more likely to use an independent lab, they are more likely to use an urgent care. So they are better consumers and there is so much waste in healthcare. If you look at any publication, everyone will tell you that between 50 and 70% of healthcare is avoidable, either by lifestyle which is a small portion of it but by going to the right place at the right time, by using the generic drug instead of the brand name and so on. So it is a real change in behavior and as I've worked with municipalities where we have done this, I have been amazed in meetings where people are telling me after being on the HSA for a couple years – Hey yeah I get my drug at the Hannaford Drug Program and it is like 80% less than what I was paying. I am actually learning some different tricks from them but all or a sudden they are activated consumers. Where I would argue that healthcare in general is the only thing that we buy with someone else's money and we don't know what it costs. So that is really where you see the big change.

Alderman Clemons

Do you see that though as a sustainable option for the foreseeable future if the City switched to that completely.

Mr. DeLacey

Yeah I do and we have clients that are full replacement HSA that's all they have; they offer a high HSA and a low HSA and they might offer a third, but that is unusual. But I think it is sustainable. Now I will back up by saying if we were to build an HSA from scratch, we wouldn't put 75% of the deductible into the HSA, we would do more like 50%. But your underlying HMO plan is so rich, remember when we offered the HSA there was a \$0 deductible, \$10.00 office visit plan. So we had to have an HSA that was somewhat comparable otherwise people would have kind of laughed us out of the room.

But you think of the HSA there are two things I can tell you. The healthy people will do very well under it; the very sick people will do very well under it. Then you will have a group in the middle, it will depend on the year. They could win or they could lose, but over the long term I think everybody wins because when you are a better consumer it matters. And I'll show you some detail on that.

So outpatient surgery costs comparison by site and this is really what I am getting at and this is what I think is our opportunity. It is how we engage the employees and get them interested in looking at these things and making good decisions to help us flatten out the cost care, ok? So Anthem has a product they call Site of Service where they basically say, go to the low-cost facility, it is covered 100%. Go to the high cost facility, subject to a \$2,000.00, \$3,000.00, \$4,000.00, \$5,000.00 deductible, whichever plan that you choose.

But look at the cost difference. A colonoscopy and we saw this with Smart Shopper 10 years ago City of Manchester, \$2,876.00 at a low-cost provider; \$5,145.00 at a high cost provider. The difference there? It could be the same doctor. Just a different facility; facility X charges \$4,000.00; facility Y charges you know \$2,500.00 or \$2,000.00. whatever it may be. And that is where you see the difference in these types of services. For Upper Gastrointestinal, you know probably laparoscopic surgery \$5,600.00 versus \$2,100.00; Arthroscopy \$5,800.00 versus \$9,700; Musculoskeletal so a back fusion something like that \$7000.00 versus \$3,420.00.

So these facilities in blue are ambulatory surgical centers and you are familiar with them; Nashua Ambulatory Surgical, Bedford Ambulatory Surgical, Elliot One Day. They are all over the place. And if you've ever been and I have, it is a better experience. I mean if you are otherwise healthy but you have to get your knee scopes, wouldn't you rather go to a place where if you are sick they are going to reschedule. They don't want sick people there. Lower infection rates, better outcomes, doctors are doing the surgery at the ambulatory surgical center and they are doing it at the hospital. It is just half the cost when they do it at the ASC. Big dollars – so if all of these surgeries that were appropriate and this is data courtesy of Anthem, if all these surgeries were done in an ambulatory surgical center, appropriately so, you are looking at \$2.4 million in spend. If they were all done at the hospital, \$5.4 million in spend; where you are right now over the last 12 months is about \$4.3. So this is a huge opportunity where we can change the cost by getting people to the right place. And again these are places that your employees are using; so we are not talking substandard care or anything. When I look at a municipality up the road, they were using these ambulatory surgical centers almost 50% of the time; now we want to get it to 70%. Here you are using it less than that, there's more opportunity.

Independent Lab versus hospital lab. This is a huge, huge opportunity and it is with most groups. If you are going to LabCorp or Quest you can see that it is \$15.00/\$16.00 for one test. Now tests are usually 5 panel or 10 panel tests so multiply by five or so on. But really what we want you to see here is look at the cost variation; it is enormous between 4 and 5 times whether you are doing it at the hospital or Quest or LabCorp or even some hospitals have kind of come down in their price. Concord Hospital for instance has come down to be competitive because they want to be one of those preferred providers. I think if there is more pressure others will. Now if you are in the hospital, of course they are going to do your labs there, you are not going to leave and go to Quest or something like that. But these are outpatient where you have the opportunity to go to Quest and you get your results tomorrow instead of today. Most of the time that's fine. If it's not you done at a facility. But we are looking for those opportunities where it is easy for the employee to do that. And look at the costs, we could potentially go from \$1.7 almost \$1.8 down to under \$500,000.00. So these are some things that we can focus on.

I think as I kind of wrap up here, I want to leave you with the idea that there are headwinds, there are challenges, the universe is 9% increase year after year after year. It doesn't have to be if we can focus in on particular areas we don't have to fix the biological problem, smarter people than I are working on that and trying to figure that out. But there is a lot of low hanging fruit that we can get after and it really is the will, the desire, the ability to communicate with employees and help them become part of the solution. Because frankly I think the employees don't know any of this and as much as we try to reach out and give them that information we need to just keep doing it and we need different avenues to do it. That's why Smart Shopper is so important.

With the Smart Shopper program, if an employee has to get an MRI or ambulatory surgery, you know have their knee scoped or whatever, they can call Smart Shopper. Smart Shopper will direct them to the low cost provider and they will get a financial reward for that. Lab service, \$25.00. Some surgeries, \$500.00 but we are saving \$5,000.00 and once someone does that they are hooked and they are going to continue to do it and they are going to talk to other people. So I think once people start to understand this they start to pick up on it, because no one wants healthcare costs to go up and the money coming out of their paycheck to go up. So I think if we can continue to engage employees in the health care discussion that's really thing number one. We want to educate on the cost differences where there is no discernable difference in quality. So we are not talking about trading out you know an excellent provider for a poor provider. Work on some steps to educate and get people involved in the HSA and then we can take that a step further to engage

other third parties to provide data that supports higher quality with better outcomes. And what I mean by that is Step 1 is really Smart Shopper; but Step 2 is what we had a concierge program where if somebody has to get some type of surgery where they can call a number and get information on that surgery and not get the lowest cost but get the best quality which ultimately will drive lower costs through fewer complications and so on. But it is walk before we run.

Alderman Wilshire

Thank you. I know a few people that work for the State and I am going to get my mammogram and I'm going to get a check for doing it. You know I am going to get whatever, I have to have an MRI, if I go to that place instead of the hospital there is a financial incentive. Educating people, people kind of like that, you know, Hey, I'm just going to get a mammogram and I'm going to get a check for \$25.00 just for doing it. It is a matter of educating people and you know whether you go this facility or that facility, hey if I am going to get a check for \$100.00 for doing something I have to do anyway; I think it is really important to educate people and to move in that direction.

Alderman Clemons

So I agree with my colleague there but I also caution, I know that there's also the case where I know if I was to come down heaven forbid with a serious illness, cancer something like that, I'm going to Dana Farber, you know. There's no question about it that is just what I am going to do. So I am going to go right up to that, if you are talking about the HSA, you know right up to that \$500.00 right away you know. So I think there are, I would agree with you that I think there are some things we can change but I think our proximity to Boston, there are some things that when it comes to catastrophic stuff we are just not.

Mr. DeLacey

The great thing about these programs are that they are all voluntary. So we are trying to get that low hanging fruit. I am going for my annual physical, you know, I've got to get blood work for whatever it may be. That's what we are talking about. But we want people to have that freedom to go to the very best and it may be that going to Dana Farber is the most cost effective because you are going to have a better outcome.

Alderman Jette

So one of my questions and I think you just answered it, you clarified that what we are talking about is not forcing anything upon the employees. We are just trying to sell them into smarter choices and it would be voluntary on their part. Another question I have, we are self-insured, I know insurance companies negotiate lower rates with providers, do we get the benefit of that with having Anthem as managing this stuff even though we are self-insured, do they negotiate the best deal for us?

Mr. DeLacey

Yes so they will negotiate one contract with providers, it doesn't matter if the employer group is fully insured or self-funded, Southern NH Medical Center gets, let's say they get \$5,000.00 for an appendectomy. It doesn't matter if it is a fully insured group or a self-funded group.

Alderman Jette

And another question I had, you talked about I think you were talking about pharmacy costs and you mentioned inflation of 17%. How is that possible?

Mr. DeLacey

That is what US Inflation a combined 17% over the last 10 years. So not 17% a year, a total of 17% over 10 years.

Alderman Jette

OK thank you.

Alderman Klee

Thank you, I've got a couple questions if that's ok and I am one of those people that used BASC for a recent surgery.

Mr. DeLacey

And you have one of those t-shirts I'm sure, right.

Alderman Klee

And the little teddy bear that you get with it, yeah I've got the 2 t-shirts too, a pink one and a green one. But the question that I have on the \$2,000.00 deductible, which you refer to as the "high deductible" I also have a number of people that I know with this \$2,000.00 deductible or sometimes even higher. The problem that they have is doing those initial visits to get up to that. Are you saying that there will be \$1,500.00 HSA account regardless of whether they put any money or is that a matching \$1,500.00.

Mr. DeLacey

No so the \$1,500.00 is from the City regardless of whether they put any dollars in. We would always recommend that people put it in, what I typically recommend is fund up to the deductible. So let's say you get \$1,500.00 from the City and then you save \$150.00 out of your paycheck because the premium is lower and you pay a percentage of the premium. Take that \$150.00 and another \$350.00 and put that into your HSA. You certainly would want to do it through payroll deduction because you save the income tax plus the social security tax. But do that on a regular basis so that you have that money in there. Now you don't have to spend the \$2,000.00, the majority of your folks, well I shouldn't say majority, probably 30 or 35% of your employees will spend under \$1,200.00 per year. So they will never take a dollar out of their pocket in the HSA. Then you will those folks that will spend hundreds of thousands because they had an unfortunate accident or disease or so on and they are going to blow through that \$2,000.00 deductible. But what is going to come out of their pocket is the \$2,000.00 minus the \$1,500.00 minus what they saved out of their paycheck.

Alderman Klee

Just a quick follow up, two things actually; one for clarification. So if for some reason they didn't heed that warning of putting that extra \$500.00 from the very first dollar, they get a \$20.00 co pay, then can use the HSA to pay for the \$20.00 co pay.

Mr. DeLacey

So remember that if you're in an HSA the high deductible plan, you don't have \$20.00 co pays. There is no such thing.

Alderman Klee

But for whatever the co pay would be for procedures or the actual cost of the surgery. I didn't see up there if there was the catastrophic, maybe I just missed it. I started to write down some notes here. Like for instance in my case I have Anthem. I have a \$5,000.00 out-of-pocket catastrophic through my insurance. I reach that usually by May of each year. So then at that point almost everything is covered. Is there an out-of-pocket or is that just the \$2,000.00 deductible.

Mr. DeLacey

It is the \$2,000.00 deductible and we have presentations and I'd be happy to come back and go in detail through the HSA if that would be beneficial to you and really anybody who is watching on TV. But you have a \$2,000.00 deductible; once you've paid \$2,000.00 out of your pocket, by all means, the plan covers everything and everything that is covered by the plan at 100% for the remainder of the year.

Alderman Klee

This does sound incredible and I do believe in Smart Shopper I think it's a good thing.

Alderman Tencza

Can I ask if there any way to incentivize especially the younger workers who are working for the City to join the high, the HSA plan that we are talking about because those are the workers who would really benefit from them when they are young and healthy in collecting this money in a HSA account for years and years and years that they don't have to tap into. Because it rolls over, it's their money, if they leave the City they can use it then as well.

Mr. DeLacey

You make a very good point. We can't have a different contribution for younger people, versus middle age, versus older. I think the best way to do it is education and for them to have that conversation – here is exactly how it works, here's how it could benefit you. We have slide decks and things like that, we are thinking about brain sharks and little videos that give people the information but it really is getting people to come to a meeting to hear about it and understand it. And then talking to people at the water cooler. What we have in other municipalities is almost every time I do these HSA meetings, someone will show up and be in the back of the room who is on the HSA and at some point stand up and go – yup he's right, I've had it for 3 years and that's how it works. And I think people feel more comfortable with it.

Alderman Tencza

My family was covered under the County Health Insurance Policy which is very similar to the City's for 10 years when I worked for the County and then after that I had the experience of having to go out and get my own health care for my family. It is not as awful, once you get off an HMO it is not as bad as it seems. There are out-of-pocket costs that you become aware of but again, I think the plan for all the municipal employees who are at home listening, if you can do something like at a bar and get all the young teachers and everything together to talk about this then that might be a great investment in City resources.

Mr. DeLacey

That is one venue I have not done yet but I kind of like it. I kind of like it.

Chairman Dowd

Any other questions? Ok, I agree that education is probably the big strong point on lowering the cost and I think that every effort should be made to meet with all of the labor groups to bring this to light and I would perhaps use a slightly smaller presentation and focus on the savings and go from there. But as Chair of Budget I have some larger questions. This year we got hit with 11% increase, \$3 million dollars which is catastrophic to our budget. What was the increase for FY 19 and what do you think the projected increase would be for FY 21?

Mr. DeLacey

So in answer to your first question I believe it was 6.4 for FY19. The only way for us to project out another year in the future is really to look at your most recent claims and trend them at 9% so I can tell you without doing a whole lot of math, it would be somewhere around 9%. However, if your claims over really the next six months or so, trend better than they have over the last year, then you would see something less than that. And remember, we had a period of time after we made some plan design changes, where we were at 0, 2, 3. So it is not crazy to think that we could return to that but it is hard for me; crystal ball I would just say it is current claims trended forward.

Alderman Dowd

So we have a special revenue account or whatever it is that we put the health insurance money into. This year the total is what did you say, we added three? \$7.5 million? That is an account somewhere that we pay claims out of. So the balance presumably, since the year just started, is at least \$.7.5 million or are we putting money in periodically, either way, what is the amount of money that we are putting in that account this year, including the additional \$3 million that we just allocated?

Ms. Kleiner

Ok so the balance isn't \$7.5 currently; currently it is about \$4.8 and we are currently speaking with both the Mayor to see exactly if we want to put some additional funds in there. But what we've done with that account has changed each year. You know one of the things that we are looking at when we talk about our claims and things of that sort, is we are looking at education. Now what makes it extremely difficult for the City is the fact that we are so spread out. So we have so many different employment groups in different areas. That makes education extremely hard. Although Director Budreau and his group has done an extremely hard amount of work, videos, getting out, Wellness Fairs, things of that sort. So back in 2002 you became self-insured. In 2007 you started a joint health insurance advisory group. That was in 2007. If you go back they issued a report positioning Nashua for health care in the 21st Century. If you go back and read that report, you are going to see the same discussion we are having right here, right now. The same type of points as what they pointed out. And that Committee or Advisory Group was on some employment boards, some administration, it is important for us to get everyone around the table. Because you are not going to see any change, whether it be change in how our employees act or spend their money or whether it be how we look at health care and look at difference and options. It is the claims that have to change, right? It is bringing down those claims that's what has to change.

Chairman Dowd

So the issue isn't necessarily with the negotiated contracts or is it? And it is more in educating the people on what they have available and what they could sign up for that could save the City and them.

Ms. Kleiner

Right. So it's very difficult for us from the City and we have a large group that already looks at this, right? So we work with CFO Griffin and his team. We work with Director Budreau and their group. But there is not a lot of us working with the other employer boards. We need to do that, we need to have those joint discussions. They need to work with us on educating their people. And we need to have some real discussions, if there is plan design change, what does that look like? Is that a road we take? And we need to come up with some really solid recommendations like they did back in 2007. But we kind of haven't done that, they did it again in 2010. They got a group together, I think there was, I was on the School Board at the time so I remember the conversation. And then it stopped and although they've had great discussion here internally at City Hall, we've done this, we haven't really reached out to these employer boards. They know their people, they know how their people will accept education. We need to join together and look at how we do that. We need to look at how much of our employee group is the School District. That's a group that's very hard to educate only because look at how they spread out, right? So they are at so many

different schools. How do we reach out to those employees and that has always been a challenge. How do we reach out to firefighters and how do we reach out to Police. And how do we really use the tools that we have like Smart Shopper that Mr. DeLacey and his group and the Human Resources Department has put together and make sure they even know about it. The HSA that has been hard to educate people on. It has been very difficult to go out and educate people on that. So we need to engage these other entities.

Chairman Dowd

So it sounds like a goal for someone in the City to take on and try to be successful at. It may be complex but I feel that there has got to be a solution. The other thing is as we went through the budget process and we were very tight at the end I asked the question of the Mayor and Kim in her previous position. Well what if we only put \$2.75 million aside for health insurance and the pushback I got was huge. No, we need \$3. Alright, how critical a number is that. Is that something that we feel is like a not to exceed number or is it best guess. What is the reliability number of that \$3 million?

Mr. DeLacey

And you are talking about the \$3 million increase? Claims can be a little bit unpredictable but you want to make sure you have sufficient claims to cover your costs and if you pull money out this year, you may be in a position of needing to replace that money plus what the increase is for next year. Because we are constantly battling this thing called “trend” or “inflation”; it is happening no matter what. It’s how or what things are we doing to maneuver around that and keep our number lower than the rest of world, the rest of Anthem’s Book and Harvard’s Book and so on. So if you did \$2.8 versus \$3 would it be the end of the world? Probably not. Could you be potentially setting yourself up for needing a really big number in the future, potentially yes.

Chairman Dowd

The next question that follows then is if we have a better year than we anticipate, does that difference lower our anticipated amount of money we have to spend next year on health insurance?

Mr. DeLacey

This is something to be careful of, it lowers your potential increase. It is very, very, very unusual to see somebody going down right. But yes so if trend is 9% and we come in 5% below expected, we would expect to see an increase of 3 or 4%.

Chairman Dowd

That we would probably handle.

Mr. DeLacey

And that’s really where we were for a lot of years. Just going to the previous comments, I think we need to get those groups back together to really have a discussion like this to understand what is ahead of us. Because we don’t want more years like this. And I think doing the things that we talked about here we’ve done them in private employers, and we have done them with other municipalities. We can make it work we just have to attack it.

Alderman Dowd

The other question I have and Kim was working on this in her prior life, we are starting to have a number of contracts through the pipeline as we do always. There was an attempt again back when Kim was there to make sure that the health insurance portions of that were in line with the current City thinking. Who has got that role now.

Ms. Kleiner

So it is important, and I think that the Board has spoken about this many times in the conversations that you've had in Strategic Planning, right? The Strategic Planning Committee. It is so important for the City to look at Union Contracts, Healthcare costs, all of these things collectively. When you look at them separately you actually have an increase in costs greater than what you want. So the Mayor has asked that we start to look at Union Contracts and health care collectively. So Administrative Services Division working with Financial Services and working with our employer boards. But it is going to take a joint action of all of our employer boards and our City Hall to make this happen. And we need to have those discussions before we get actively into negotiation situation. But the Mayor has asked that we look into it.

Alderman Wilshire

I mean years ago we sitting around this horseshoe saying – we'll never get rid of the indemnity plans. I mean it has come around, right. I mean it had to. And I think the same thing here, you need the HSA because Healthcare costs are just not sustainable. But I agree I think it needs to be done collectively. Every bargaining unit needs to be at the table you know with the health care discussion because we won't make progress any other way. It's 9, 9 9, you just can't sustain that. We thought years ago we'd never get rid of those indemnity plans and you know we've done a pretty good job. I am not saying that it is going to be easy. I think educating people, they probably just don't know and they are afraid of change, right? This is what my plan is this is what it does, you want to change it so it is going to cost me more. And that is a natural assumption right? I mean that's what people think, you are going to change my plan it is going to cost me more money. You are not going to give me something for nothing. So you know I think it has to happen with all bargaining units.

Alderman O'Brien

Thank you. My ears perked up when you mentioned collectively but is has been in past experience that it hasn't been the case. And if that is the way we are going to go then I think we should But the thing is, I really want to make sure we are holding everybody's feet to the fire on it because it really hasn't been done in the past. It is one of those things that doesn't get forgotten, it's one of those things when people come up for negotiation, in the future, and everybody looks over the fence to see how grass is greener on the other side, you know. And they constantly bring up and it has been one of those things. If we are going to do it I say tally ho, let's go for it. But to make sure that we do do it and honestly to keep it because if we don't do it et al, then don't bother. Let them negotiate on their own and try to scrape the best deal as possible. I know that's a little editorial, but it has been my past experience with that.

Alderman Clemons

To get a change like moving people to an HSA like that takes a lot of, it takes a lot of negotiation and it take a lot of political willpower too. Because I can remember being on the Board in 2010 and the Mayor coming down and saying – we want to go to \$250.00 to \$500.00 deductible. And you would have thought that the sky was falling based on the reaction that some people had. But it was one of those things that at the time I mean \$250.00 deductible wasn't unreasonable at all especially when you looked out and some people were getting at that time \$1,000.00 deductible, \$2,000.00 deductible. That's when they started to come around and the City said – Look we need to adjust how we do business and we can't sustain the \$0 dollars anymore, we have to have a deductible. It takes a lot of education, it took a lot of political willpower. You had folks like myself and Alderman Wilshire came out and supported that. Didn't have a lot of friends on the end of that conversation. But I think what it does is it makes people understand, OK this is beyond what – it would be great if nobody had to pay anything for healthcare sure and if we could do that absolutely.

But you know times change and that was 2010 so we are talking about 9 years ago. I think it's time for another conversation and I think it's time to have another discussion with folks and kind of get this ball rolling. I think with the City paying 75% to that HSA I think that's very generous and I would recommend that if we do move forward that that's what we move forward with. I think, I agree also with Alderman O'Brien that we need to make sure that if we are going to do something like this, that it's fair and that it's across the board. And again that's not an easy thing to do but we've done it before so we can do it.

Chairman Dowd

I think the key is in each of the union contracts, give them the City's package of what is available. They can still make their own decisions and that's where the education comes in. But what you don't want is something that one bargaining union has something that's way off the board that's nowhere near what other people has. That causes the problem.

Alderwoman Kelly

So I appreciated your comment about going after the low hanging fruit. With HSA I have chronic things myself and I couldn't imagine sitting there very sick being like which lab should I go to. So I appreciate that is more the concern and I actually really think that making us more consumers, it is one of the few places where you don't have that information. Your doctor says – Go this place and you go to that place. And I think that's really important. I want to ask something fairly basic and it might actually be to the City more but I'm not sure I fully understand the being self-funded and is that financially really helping us. What does it look like if we weren't self-funded.

Mr. DeLacey

I am going to while I'm talking flip back to this slide. So when we think of being insured, meaning that are going to pay a carrier and they are going to take care of everything. There are a few things that the carrier has to deal with. One, you pay a 2% premium tax to the State of New Hampshire. So 2% of your costs right there go to the State of New Hampshire. There has been a tax that's been in out, in out since healthcare reform was passed and we call it the HIT the Health Insurance Tax. And that is a tax of \$16 billion dollars, it's gone to \$18 billion dollars, long story short, it ends up being about 3 ½% of your premium. So if you are fully insured, you are going to pay 2% in premium tax and you are going to pay another 3% in this tax just before you start out of the gate.

Then you are paying these carrier's administrative fees. They are generally about double what we would be paying here. Then you have margin, because the carrier is taking the risk. So they are putting down a claim number and they are saying – If the claims are \$30 million dollars; if they are \$31 they eat the million dollars. If you are \$29 they keep the million dollars you don't get it. So they are going to put in a buffer, usually 2 to 3% on a group your size to say – Well we think it is going to be \$30 million but we are going to set it at 31 because we don't want to be under water. So now you are talking another 3%, so right out of the gate, your 2% premium tax; 3 ½ HIT tax; 3% margin, double the administrative expense. So when we look at this piece right here, we are eliminating all of that and that's why we self-fund. Because we know, our claims are going to be our claims; if we have a terrible year and if our budget is \$40 million dollars and we end up our budget at \$44 million dollars we can say wow, glad we were fully insured. But what is our renewal next year, 25%? The carrier is going to get it back plus all those taxes. So that's really why any group over certainly 500 self-funds to eliminate those administrative costs and really kind of control your own destiny. You can determine what your benefits are. And if you put in programs to lower costs like Smart Shopper, you gain 100% of that value versus the insurance carrier. Does that help?

Alderwoman Kelly

That was very helpful.

Alderman Wilshire

Again I've probably been told the answer to this, what is the stop loss?

Mr. DeLacey

It is \$350,000.00.

Alderman Wilshire

Per person.

Mr. DeLacey

Per individual, so person, employee, dependent so on and so forth but we are big enough to support that.

Alderman Wilshire

So I just ask you because where I work we have been self-funded since '99 and we are a small group of 70 and our stop loss is \$30,000.00. We have a lot more employees.

Mr. DeLacey

Exactly so it really is if you look at the claims, we are at almost \$40 million in claims. 70 people you might be at \$600,000.00 or \$700,000.00.

Chairman Dowd

OK if there are no additional questions we can let them go. We have other things to do on the agenda, we have people waiting. So thank you very much that was very informative. We probably should have done that long before budget season but Mrs. Kleiner was kind enough to set this up as soon as she could.

Mr. DeLacey

Thank you for your time, we appreciate it.

COMMUNICATIONS – None

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-19-157

Endorsers: Mayor Jim Donchess
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Ken Gidge
Alderman Linda Harriott-Gathright
Alderman Richard A. Dowd
Alderman Patricia Klee
Alderman Tom Lopez
Alderwoman Mary Ann Melizzi-Golja

**CHANGING THE “AGENT TO EXPEND” ON CERTAIN EXPENDABLE TRUST FUNDS
ADMINISTERED BY THE PARKS AND RECREATION DEPARTMENT**

- Also assigned to the Board of Public Works; to appear on its 7/30/2019 agenda

**MOTION BY ALDERMAN O'BRIEN TO TABLE R-19-157 PENDING THE BOARD OF PUBLIC WORKS
MEETING ON 7/30/2019**

MOTION CARRIED

R-19-158

Endorsers: Alderman Richard A. Dowd
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Ken Gidge
Alderman Linda Harriott-Gathright
Alderman Patricia Klee
Alderman-at-Large Brandon Michael Laws
Alderman Tom Lopez
Alderwoman-at-Large Shoshanna Kelly
Alderwoman Mary Ann Melizzi-Golja
Alderman Jan Schmidt
Alderman-at-Large Ben Clemons
Alderman-at-Large Lori Wilshire

**APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN
THE NASHUA BOARD OF EDUCATION AND THE NASHUA ASSOCIATION OF SCHOOL
ADMINISTRATORS AND SUPERVISORS, AMERICAN FEDERATION OF SCHOOL
ADMINISTRATORS, AFL-CIO FROM JULY 1, 2019 THROUGH JUNE 30, 2020 AND RELATED
TRANSFERS**

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Dowd

Would you like to come up and give us an explanation on the contract? This is Mr. Donovan, the Chief Financial Officer of the Nashua School District.

Dan Donovan, CFO Nashua School District

Yes and this is a pretty simple contract; it is a one-year contract. It is a 2.5% increase for everyone in the group. That's in the budget sort to speak so they will be working again on another contract hopefully for a longer term. One of the things that they are looking to do is sort of create some groups or steps. This is an interesting group and there a lot of different people; you know there are Directors and then there's sort of food service people.

So it is a big mix of people so they want to try to get some better organization structure around their salary grades. So they are hoping to do that in they figure a one year deal at 2.5 would give them time to do that.

Chairman Dowd

So just a couple of things, 1 – these people have tended to slip behind on the pay because of the position they are in as opposed to say teachers. And the other thing is you said you have the funds for this increase already in your budget.

Mr. Donovan

Yes,

Chairman Dowd

That's a one year contract so that's the budget that's been approved so no additional funds there. Anything else that you wanted to add? And these people are like you said – oh another question I wanted to ask. Since some of these people are food service, does that portion of the funds come out of the Food Service Account.

Mr. Donovan

Yes.

Chairman Dowd

OK questions for Mr. Donovan.

MOTION CARRIED

Mr. Donovan

And just for your information the group did vote unanimously to accept a one-year contract, I probably should have said that.

R-19-159

- Endorsers: Mayor Jim Donchess
- Alderman-at-Large Michael B. O'Brien, Sr.
- Alderman Ken Gidge
- Alderman Linda Harriott-Gathright
- Alderman Richard A. Dowd
- Alderman Patricia Klee
- Alderman June M. Caron
- Alderwoman Mary Ann Melizzi-Golja
- Alderman Jan Schmidt
- Alderman-at-Large Lori Wilshire

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF ONE MILLION THREE HUNDRED THOUSAND DOLLARS (\$1,300,000) FOR PROPERTY REVALUATION SERVICES

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTIONChairman Dowd

You heard extensive discussion on this earlier in the evening during the public hearing. Are there any additional questions?

Alderman Clemons

Just for the record, I won't be supporting this this evening. I don't find it necessary and I think it is an expense that we can use the money elsewhere.

Chairman Dowd

Any other comments? I just might state that we are under a 5 year revaluation every year. This is meant to address the next evaluation much better than we did the last one and that's why the Mayor has asked for this money to start this process to have better visibility of the entire assessment process and presumably a much fairer system. So any other questions.

Alderman Tencza

I have a question about the 5 year bond because Treasurer Fredette said apparently the State Law allows us to bond this expense and we can do it for up to 5 years. It is a 3 year project; I guess my concern with bonding this is that this becomes an annual expense and in 5 years whoever is sitting on the Board says again – Well we should do another full list and measure at \$1.3 or \$1.5 million dollars. And then it just becomes a line item in the budget in the bond debt service that we are paying for. And I just want to be clear about this, the City is not making any money off of this. I thought we had gone along with the statistical revaluation because that was acceptable to the DRA and because that is industry standard at this point.

Alderman O'Brien

I think I understand it, if I may in my attempt to address Alderman Tencza. I don't think this is an attempt to do something like in bonding every 5 years. The City has in the past gone through exactly what we went through before with you know an evaluation which was basically estimated and everything. That seems to work out well but at some point in time you do get to the point to see there are people that do go out. I don't think this is an attempt by the City to go out and raise taxes because I see there have been people that probably did some work, probably without any malice but re-did a basement let's say as an example. They did not yank the permit as such as they were supposed to and therefore they increased the value of the property. So that has a saleable income to them and this is just watching out to play the game fairly to all taxpayers that if somebody did let's say in that example, did their basement over, that the property would be more evaluated to be on marketability. But again, I think they come up with the bond every 5 years because they know we do the revaluation every 5 years. But as in the past, I think it has been about 10 years, I'll look at my Chairman, but I do remember when we had somebody coming around and somebody might have said 20 years, I don't know. I mean it has been quite a long time since the City has come up. So it is basically I think doing justice to et al again, like I say everybody to come out and have the property evaluated and just to make sure that it is fair to all.

Alderman Jette

I'm not on the Committee so I don't have a vote but I would certainly support this when it comes to the Full Board and I encourage the Committee Members here to vote in favor of this. I think that it has been close to 20 years since we have done this. A lot of towns and a lot of cities do this constantly, they go out and visit every property. You know maybe they do it over a 5 year period, they do one fifth of their units every year so that they are constantly updating this information. I think that we've been told I don't know if it is accurate or not but a lot of errors have been discovered in property cards or whatever.

I don't know if that is accurate or not but this is an opportunity to reassure the taxpayers that their properties are being assessed accurately and fairly in relation to everybody else in town. So I think that – and bonding I've read 2 or 3 different articles recently that municipal bonds, you know the interest rates for the municipal bonds are really low right now. They are very attractive to the market so that's why we are able to borrow this money very cheaply and as opposed to taking \$1.3 million dollars out of the budget to pay for this in one lump sum doing it by bonding it and taking advantage of the low interest rates. I think it is a prudent way of approaching this. So I encourage the people on the Committee to vote in favor of this.

Alderman Wilshire

Thank you. I am going to support this. I don't think it is going to be year over year kind of thing. We haven't done a full list and measure since 1991.

Chairman Dowd

The last time Mayor Donchess was Mayor.

Alderman Wilshire

Right. So I'm in favor of us doing this and bonding it now but in the future I don't see us supporting bonding over and over again to do it. But I am going to support it.

Chairman Dowd

I go out on a limb here because I've had some discussions with the Mayor but I believe the idea is to reset the assessing foundation with this action. And then to plan ahead after 2023 and have enough money in the budget to do a fifth every year so we can keep it current. I think that's the plan. Don't hold me to it but I think that's the plan.

Alderman Clemons

I guess that point what you just mentioned wasn't explicitly stated this evening. My fear is that we are being reactionary and I just you know everything inside of me is telling me to vote no on this. Because what I would hate the City to be doing is being reactionary to something that is really out of the City's control in the sense that yes the assessments went up and the revaluation happened last fall. To me they were pretty accurate. I know the one that I go for my house, my taxes went up by \$1,200.00 and I live in the middle of the City on Ash Street OK? But it is what it is. I also am able to get all that equity out of the house as well. So you know I don't think that what happened last fall was anything that was out of the ordinary and I don't see that, I haven't been told, we haven't been told by the Mayor or by Ms. Kleiner that this is going to end up with any other result other than what we would have on the statistical analysis. So I don't understand spending the money to do this if we are going to get the same results. So that's why I can't support this because essentially, we are just spending \$1.3 million dollars to make sure that our math is correct. And I just don't think it is worthwhile to do so I will not support this.

Alderwoman Kelly

So I have concerns about how the timing was brought up and why it is going to take 3 years where you were talking about 5 years so I would love a little more information about how they came up with a 3 year time frame to do this. I know someone from public comment was like – Why not one year? We haven't actually talked to the consultants for 6 months and I would just love to know why we came up with that number. I mean I am concerned that people who saw their taxes go up this year are going to see their taxes go up a year earlier.

Chairman Dowd

That's why I asked whether there was a proposal for that \$1.3 million because it is not to exceed which means that they don't have to spend \$1.3. We are authorizing a bond at \$1.3 but that doesn't mean we have to spend \$1.3. It is also a five year bond but we don't have to take five years to take it back if we don't want to. And the reason it is only five years is because State Law says that for this purpose and this purpose alone you can only bond for 5 years because a lot of towns and some cities, probably mostly towns, they don't have the money every year to do this. So what they do is they bond the total revaluation of their town, which is a lot smaller than we are and then they do it in one fell swoop and then pay it back over the 5 years and that is State Law.

Alderwoman Kelly

Yeah just to clarify I understand the timing of the bond, I am wondering about the time that they need to do a full measure and list to the best of their ability and why we are doing it a year earlier than we actually need to even do a statistical analysis.

Chairman Dowd

Well I assume that is in the proposal as well that there are a significant number of homes in the City of Nashua to visit individually; each single one and go through it. We haven't done that in a long, long time. What was done this past year was spotty. We wanted to put it off a year and plan better and the State said "NO".

Alderwoman Kelly

Just a final comment that I would love to see what that proposal looks like and what their thinking was before I give away \$1.3 million.

Alderman Schmidt

As a Ward Alderman I must tell you that I received many calls not so much people saying – OH my gosh it went up – they were saying it wasn't fair. They were saying this wasn't something that they had done, their neighbors had the same thing and theirs was lower. I heard it so many times it was clear to me that using this old data and just doing it through the cards isn't sufficient and it is time to step up and do the whole thing. I really like the fact that it's going to take 3 years for completion because that is closer to the 5 years that we would have to do this. So if we can get it done, then we get another 5 years to do this, step by step through the whole City. I know this will make a lot of the people in Ward 1 very happy to know that this is going to be done thoughtfully and completely this time. Thank you.

Alderman Wilshire

I couldn't agree more. I think you know because we haven't gone into people's houses since 1991, people that don't pull permits people that do all these upgrades and additions that don't get captured, you know, since 1991? I think it is fair, I think people will feel that it is fair because we have taken the steps to go through every property. So I couldn't agree more with Alderman Schmidt.

Alderman O'Brien

Yes I agree too and to Alderman Kelly this is a very labor intensive type of thing much more than the guestimation evaluation that kind of we went through. Surviving, I am a 1990 survivor or whenever it was of when they came in and did it. I did let the gentleman, the appraiser to come into the house and he looks at the outside of the property, he looks at the inside, looks at all floors. So I imagine they probably have figured out how much time per household of what he does. Then he's got to go back and data entry it, put into some form of computer or card system or something.

So all of this is taking the time of 3 years doesn't seem anything abnormal to me, you know what I mean. Yet I also agree and I think it's very well spoken what the Alderman from Ward 1, Alderman Schmidt because this is the fairest and most equitable way to do it. If anybody has got a complaint out there, yes there has always been that abatement practice. But if we are doing our job and really got a sharp pencil, people who went through abatements will probably find out that their numbers aren't askew when we do the revaluation and come out again. You know at least the numbers should be at least we hope. I think it's a great thing, it makes it even Steven to everybody.

Alderwoman Kelly

So I hear that and I understand that it is time intensive and I think not having done it in the City for 30 years, I get that. My question is we have 5 years before we have to do it again, why are we doing it in 3? And that pulls us back 2 years right? That's when it starts over again instead of we just did it 5 years ago we are going to do it in 3 years. Do you understand what I am saying?

Chairman Dowd

No. We are doing this to respond to the next 5 year time frame, 2023, the next 5 years we would be done, that is what this is leading up to. So we would have the data ready to go for the next 5 year increment.

Alderwoman Kelly

And if I could follow up. From what my understanding was the question was "does that reset it" and I heard "yes" and we set two year's back instead of having that whole 5 years. I'm not advocating for taking all 5 years I am just saying we are going to be looking at it 5 years, then 3 years, then 5 years if we go the route that we are currently talking about.

Chairman Dowd

The assessing process is probably going to go on year to year to year from here on out.

Alderman Klee

Just for clarification she said 2022 which is one year but I agree with the point you are trying to make. And I don't get to vote here in this group but I want to say I'd like to see this happen. I think if nothing else, whether it was a kneejerk reaction to comments that have been made and so on; putting that aside I think this shows good faith to the citizens and the residents here that we want to do the best job possible. And yes there will be people who won't let us into their homes. That is their right to do that, but then their home will be assessed as such, good or bad. That's the way life works here. But I think it's time, it's time to go into the homes and see if everything that they have done and worked on. I'd like to say that my house has always had building permits pulled on it but I've only lived there since 2003. So yeah just seeing this hasn't been done since 1991 a lot could have happened even before I moved in.

Alderman Tencza

One of my other concerns that this is supposed to be about equity and making it fair but the people don't have to let us into their homes. And the people who have not pulled permits are the people who are going to say, you know, it's not the people who pulled permits who have a nice new kitchen and bathroom who want to show it off to everybody; it's the people who have the basement that is done over that they don't want the City to find out about. I think assessing is not an exact science, which I think some people are looking for in the City. I think it is a big expenditure that we would make without really having a sense of what the outcome would be. It would shift some of the tax burden around and would it increase taxes and shift it around? I'm not sure how it would shift it, if it would shift it on to lower income people or higher income people for that matter. I am hesitant to support this at this time.

Alderman Dowd

You are correct that the City has a budget and it is X dollars and the reassessment won't change that it is just when you assess the value the rate is against the set evaluation of all the homes and businesses in the City and the tax rate is set to raise the amount that we have in our budget. So it doesn't, you know, if we find a lot of people have more valuable homes it doesn't mean we are going to increase our budget. And the other thing is if this passes the Full Board, they can start the work as soon as it is passed by the Full Board. What Treasurer Fredette was saying is that he doesn't have to sell the bond right away and on any of our bonds by the way they have a plan for when they are going to sell them. It doesn't correlate when the work is done because we pay that out of the City's cash account and then the bond pays that back. So it is a really tricky thing if you ever want to have a lesson in bonding and spend a few hours with Treasurer Fredette.

Alderwoman Kelly

Just a comment, it is interesting to me, I wonder how it will shift because the people who don't open their doors are not going to suddenly be the people who open their doors now that we are doing a full measure and list. It is going to be the honest people who are willing to open their doors that are going to see those changes. The people who don't pull permits and don't open their doors are not going to be affected by this.

Alderman O'Brien

Yes and I just want to make Alderwoman Kelly you are absolutely right but it's that little sticky document called the Constitution that unfortunately gets in our way every once in awhile and that's a good thing. But we in the Fire Department had the same thing. We couldn't go into a single family home to investigate to make sure that they had smoke detectors. You would think that somebody would value the lives of their children and themselves and would allow you to do such. Those people do but we had more legal authority in multi-family type of housing situations. Because in that situation, the effects of one person could definitely have adverse effects to the other person; whereas a single family comes under a man's home is his castle. So it is one of those tough things. I do hope people do open their doors for fairness to their fellow citizens, that would be the greatest thing that could be done. I do know it is a bit of wishful thinking, but maybe I might be wrong, I'll hope on the good side.

Alderman Dowd

There's always been as far back as I can remember and that's quite a ways. There have always been people who hadn't let them come into their house. But there are other ways the assessors can sort of figure out what they have, especially if the house is sold because you have MLS and believe me, realtors take pictures 100,000 pictures of the house when it's going up for sale especially today. So there are other ways they can find out information if you don't let them in. It is a relatively small number and in the grand scheme of things doesn't have a significant impact on the end result. But if we haven't been in the homes for a long time and we have people doing an evaluation from the street, it prompts the concerns that have been voiced by some of the members of the public. We want this to be as transparent as possible doing this full system which we wanted to do before the State said – you'll do it by the end of this year or we'll take you to court. We now want to do it the way it should have been done a year ago. So the motion on the floor is to recommend final passage of R-19-159 authorizing the Mayor and City Treasurer to issue bonds not to exceed the amount of \$1,300,000.00 for property re-evaluation services.

MOTION CARRIEDAlderman O'Brien

It was a 4 to 3 vote in the affirmative.

NEW BUSINESS – ORDINANCES – None

TABLED IN COMMITTEE

R-18-102

Endorsers: Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Richard A. Dowd
Alderman-at-Large Brandon Michael Laws
Alderman Jan Schmidt

APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE NASHUA BOARD OF POLICE COMMISSIONERS AND UFPO LOCAL 645 PROFESSIONAL EMPLOYEES OF THE NASHUA POLICE DEPARTMENT FROM JULY 1, 2018 THROUGH JUNE 30, 2022 AND AUTHORIZING RELATED TRANSFERS

- Tabled 1/17/2019

Chairman Dowd

Tabled in Committee, R-18-102 is still on the table. I have received information from Corporation Counsel on the proposal that is going from the union to the labor board in early August. I forget the exact date, I think it's the 4th. So that will probably be coming back sometime in August unless they run into a log jam. But it is still tabled.

R-19-154

Endorser: Mayor Jim Donchess
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Linda Harriott-Gathright
Alderman-at-Large Brandon Michael Laws
Alderman Mary Ann Melizzi-Golja
Alderman-at-Large Lori Wilshire

ESTABLISHING AN EXPENDABLE TRUST FUND FOR APPROPRIATIONS FOR PARKING RELATED EXPENDITURES

- Tabled 7/2/2019

MOTION BY ALDERMAN O'BRIEN TO TAKE R-19-154 FROM THE TABLE

ON THE QUESTION

Alderman O'Brien

And may I speak to my motion. It seems that Mr. Chairman at the last meeting we had a great debate on this and exactly what is the expendable trust for parking. Where did the money go into a special account and everything and though it seemed to come up I did make the motion to put it on the table. But Mr. Chairman, looking at the room here, I don't see anybody that could come forward to answer any of the Board's question. So I want to make the motion to take it from the table; but if my fellow Aldermen feel that there isn't fair representation to discuss this matter further tonight, then my further recommendation is to vote against my motion to remove from the table and to keep it to a later date.

Chairman Dowd

Removal from the table isn't discussion.

Alderman Kelly

Ok just clarification, we are able to comment even though he had said tabling. I would be in favor of keeping it on the table until we have someone here to talk about it.

Chairman Dowd

So my suggestion is when the vote comes up to take it from the table that you vote no.

Alderman Clemons

Yeah I feel the same way and I have a question to you Mr. Chairman, did you happen to reach out or did Sue Lovering reach out to that Department and did we hear back from them.

Chairman Dowd

No they were supposed to come to us when they were ready to discuss and I have heard nothing. Believe if Ms. Lovering has any information she passes it along immediately.

Alderman Clemons

That I trust. I find it extremely, highly disappointing that we've gotten no communication regarding this legislation and I will leave it at that.

Alderman O'Brien

Parliamentary inquiry then. If I made a motion to take it from the table seeing that I am getting the gist of the flavor, can I withdraw my motion?

Chairman Dowd

Yes.

Alderman O'Brien

Ok Mr. Chairman I would like to withdraw my motion.

MOTION BY ALDERMAN O'BRIEN TO TAKE R-19-154 FROM THE TABLE WITHDRAWN

Chairman Dowd

R-19-154 stays on the table. I'm going to have to get you a cheat sheet.

Alderman O'Brien

I'm reading the cheat sheet.

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 9:21 p.m.

Alderman-at-Large Michael B. O'Brien, Sr.
Committee Clerk