

# Health Care Notes

## Number 3: Tiered Health Plans



### *Our Goal:*

*To make recommendations to the Selectmen on options that provide quality health care at a reasonable cost.*



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The Selectmen's Health Care Insurance Advisory Committee is ready to make their recommendations regarding the Town's health care insurance for employees and retirees to the Board of Selectmen. We will be presenting our recommendation at an upcoming Board meeting. This newsletter briefly describes a new health care plan option known as a Tiered plan.

The Town's current health care provider is Harvard Pilgrim. Two plans are offered: an HMO and a PPO. The Committee is recommending the Town becomes a member of the MIIA (Massachusetts Interlocal Insurance Association's Benefit Trust) that provides Blue Cross' HMO option: Network Blue New England and their PPO option: PPO Blue.

With health care costs continuing to rise, insurance companies and employers are looking at ways health care plans can be designed to further lower premium costs. What is emerging is the development of Tiered plans. The recommendation we are proposing is a Tiered plan.

A way to think about a tiered health plan is to consider an aspect of health insurance that is already tiered: prescription drug coverage. Prescription drugs are tiered into levels. Generic drugs are first tier drugs that have the lowest co-payment. They may be a generic of a brand name drug that is available in a higher tier. In the middle tier you'll find brand-name drugs that the insurance company has classified as "formulary" drugs because they offer a clinical advantage at a reasonable cost. In the third tier are brand name drugs that the insurance company has designated as "non-formulary," offering no clinical and/or cost advantages compared to similar treatment options.

In a tiered health plan, certain physicians, physician groups, hospitals and other health care providers are assigned by the insurance company to one of three tiers based on quality and cost-

effectiveness. The cost of office visits, or hospital admissions will depend upon the provider's tier. For example, all single employees enrolled in the recommended HMO tiered plan will all have the same monthly health care premium cost; however, employees' out-of-pocket expenses will vary based upon the frequency with which they use health care services, and at what tier level. Tiered plans are considered more cost-effective than traditional HMO and PPO plans because they encourage employees/consumers to use higher quality, lower cost providers.

Employees who are enrolled in tiered health plans become more active in making health care decisions for themselves and their families. Employees also enjoy a variety of wellness programs and financial incentives that support a healthy lifestyle. For example, the tiered plan includes a fitness benefit toward membership at a health club, discounts for alternative medicine services such as acupuncture and nutritional counseling, and chiropractic care that is not available through our current plan.

Members of the Committee will be holding meetings with employees during the week of March 9th. We strongly recommend your attendance at one of these meetings. We will cover:

- the objectives of the health plan review,
- our decision-making criteria,
- the cost savings achieved,
- how you can find out whether your physician and other health care providers are in the plan, and
- the enrollment/communications process required to be accomplished for an effective date of July 1, 2009

We look forward to discussing your health care insurance with you!

