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The GIC option for Massachusetts cities and towns

Friday, July 20th, 2007

In July, 2007 Governor Patrick signed into law a bill allowing Massachusetts cities and towns to join the Commonwealth's Group Insurance Commission (GIC). There has been pressure on municipal managers to undertake the effort needed for their community to join the GIC. TLB cautions municipalities to undertake a complete analysis of its options before joining the GIC.

A joining community is required to adopt Massachusetts General Law (MGL) Chapter 32B, Section 19, which provides for a coalition bargaining process where a local community would need to create a Public Employee Committee which is comprised of representatives of the communities labor unions and a retiree representative. The labor vote on the committee is weighted based upon the number of employees eligible for the health insurance benefit. Retirees receive 10% of the PEC vote.

In addition, joining municipalities are required to adopt MGL Ch 32B, Section 18 – a move TLB recommends every community consider regardless of whether or not it plans on joining the GIC.

In adopting Ch32B, S18, medicare eligible retirees of a municipality are required to enroll in Medicare Part A & B coverage and Medicare eligible health plans, as opposed to being enrolled in an active employee plan. This requirement results in significant savings to municipalities and retirees alike as the medical eligible health plans are typically drastically less expensive than active plans, primarily because the federal Medicare program is first in line to pay health claims and the municipal plan is a secondary payer.

Another benefit of adopting section 18 is that it will have a huge impact in reducing the municipalities OPEB liability measured under GASB 45 because of the lower cost of the retiree plans.

In evaluating whether the GIC option is good for a particular community a thorough evaluation needs to be undertaken. Currently, one attractive option of the GIC to many communities is its lower cost. However, in order to adequately compare costs a detailed analysis of plan benefits needs to be undertaken – in many instances local self-insurance programs are offering richer, more comprehensive plan benefits.

As we see it some of the positive aspects of joining the GIC are as follows (note – all of these, except the first could be undertaken without joining the GIC):

- Reduced collective bargaining burden. The GIC establishes the health insurance plan benefits, including co-pays and deductible levels unilaterally, therefore reducing a local communities obligation to bargain changes in benefit coverage as illustrated in the so-called “Dennis Decision” by the Labor Relations Commission.
- Reduced costs due to adoption of MGL Ch32B, S18 – as described above
- Reduced OPEB liability – as described above
- Potential cost savings due to benefit/plan design differences

Some of the disadvantages of joining the GIC (from the city or town perspective) are as follows:

- * Public Employee Committee remains in place until 70% of the weighted vote of employee groups agree to revoke Section 19.
- * The sheer number of one particular labor component over another may allow that labor union to dominate the PEC vote and allows employee groups to drive decisions at the expense of other labor groups.
- * Currently, retirees are not represented as a negotiating unit - Section 19 gives retirees negotiating authority.
- * Loss of local control – Currently, cities or towns with self-insurance programs or as a member of a joint purchase group can exercise control over the setting of rates, plan design, benefits – including many optional benefits and locally targeted wellness programs.
- * Loss of ancillary benefits – many joint purchase groups offer their members additional services or consultation on insurance issues as part of their participation. Many JPG's handle COBRA enrollments, notifications and payment issues through a central benefit administrator, therefore eliminating the need for the local town to handle this administrative process. How do small, local towns across the Commonwealth deal with and resolve issues with the bureaucratic GIC?
- * Withdrawal issues – withdrawal from the GIC can only occur on a three year interval. With a local program, changing insurance program participation may be easier and the Town may be able to retain any financial surpluses that have accumulated.
- * Are the GIC plan benefits actuarially comparable to local plan designs? In addition, not all GIC plans are offered in all geographic regions of the Commonwealth, for instance Tufts, UniCare, Fallon, Health New England and the Neighborhood Health Plans would not work for Cape Cod and Islands communities. Currently, the GIC does not offer any Blue Cross/Blue Shield type plans.

TLB cautions municipalities to undertake a serious, comprehensive evaluation of its options before opting in to the GIC. Please call us if we can be of any help! RB

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