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MASSACHUSETTS ACT OPENING STATE HEALTH PLAN TO MUNICIPALITIES

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You asked for a summary of the Massachusetts Municipal Partnership Act's provisions that permit municipalities to join the state health plan to insure their employees and retirees.

SUMMARY

The law, enacted in July 2007, gives cities and towns the option to obtain health insurance for their employees and retirees through the Group Insurance Commission (GIC). GIC was previously open only to state employees and retirees, retired teachers, and Springfield city employees and retirees (due to the city's financial crisis). Under the partnership act, decisions to participate in GIC are made by agreement between the municipality and a public employee committee, which must include representatives from each municipal union.

Municipalities pay all costs associated with purchasing health insurance through GIC — there is no state subsidy. Towns are expected to save money through access to the state's large purchasing pool.

Five towns and seven regional school districts met the initial October 1, 2007 application deadline to join GIC. This report includes details of the town of Saugus's process to join.

BACKGROUND ON MASSACHUSETTS' GROUP INSURANCE COMMISSION

The commission is a quasi-independent state agency created by the legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees, retirees, and their dependents. Over the years, additional groups were added to GIC's jurisdiction: housing authority personnel, retired teachers, employees of some

municipalities, and a small group of long-time retired municipal employees.

It provides a menu of 11 different plans: two indemnity plans, several HMOs, and several preferred provider organizations (PPOs). It also offers other insurance products (life insurance) and pre-tax programs for employees (health care spending accounts and dependent care assistance program).

Over 286,000 people are enrolled in GIC plans. Its FY 2008 appropriation is \$ 1. 17 billion. It is governed by an 11-member, governor-appointed commission.

PARTNERSHIP ACT OVERVIEW

The act requires a municipality, regional school district, county, or other political subdivision of Massachusetts to reach an agreement with its public employee committee to join GIC. Under the act, such an agreement is the only way to transfer employee health insurance coverage to GIC.

The law greatly limits what areas of health care coverage remain subject to collective bargaining. Through the agreement with the municipality the employee committee can only negotiate (1) whether or not to join GIC, (2) the employee premium contribution, and (3) whether to opt out of GIC at the end of the term set in the agreement (the law states the term must be either three or six years).

Under the law GIC determines:

1. health benefits,
2. design and types of plans,
3. the insurance carriers,
4. doctor copays,
5. plan deductibles,
6. plan members' rights and responsibilities, and
7. plan costs, excluding employee contributions.

The law specifies these items are not subject to (1) collective bargaining; (2) the agreement between the employee committee and the town; or (3) binding arbitration, which may be included in the agreement for issues such as interpreting the agreement.

Other requirements the municipality must meet include:

1. agreeing to offer all GIC plans,
2. agreeing that all Medicare eligible retirees must apply to Medicare or prove they are already on it,
3. committing to GIC for either three or six years,

4. agreeing to pay any premium penalty the federal government assesses for eligible retirees who fail to sign up for Medicare, and

5. agreeing to pay GIC an administration fee of up to 1% (which may be included in the premium total for purposes of determining the employee contribution percentage).

PUBLIC EMPLOYEE COMMITTEE

The employee committee must be made up of representatives of each union the municipality bargains with plus one retiree member. The retiree member must be designated by the Retired State, County and Municipal Employees Association.

Any agreement with the municipality must be approved by a 70% weighted vote of the employee committee. The retiree representative gets a vote weighted at 10%. The remaining 90% is divided among the union representatives with each vote weighted according to the proportion of a union's members who are eligible for GIC insurance compared to the total number of eligible municipal employees. The supermajority requirement appears intended to prevent an agreement from moving ahead without overwhelming union support.

Agreements reached under this law are binding upon all employees and others subscribing to the health plan.

MUNICIPAL-EMPLOYEE AGREEMENT

The law states the agreement reached between the town and the employee committee, when accepted by GIC, supersedes any conflicting provisions of any pertinent union contracts. The agreement itself may include procedures (such as arbitration) for resolving negotiation impasses for a successor agreement. During any time when no successor agreement is approved, the prior health care agreement terms remain in effect.

Any dispute over the interpretation or application of the agreement may be submitted, upon the request of either the town or the employee committee, to binding arbitration under the labor provisions of the American Arbitration Association. Such a request must be approved by 70% of the employee committee's weighted vote or by a majority of the appropriate political subdivision (city council, board of selectmen, regional board of education, etc.).

ONE CLAIMS EXPERIENCE POOL

The law places all new GIC members into a single, large pool with all covered Massachusetts state employees, retirees, and dependents and any previously covered members (such as retired teachers and Springfield city employees and retirees). The law states the claims experience of all these members will be pooled together.

GIC previously maintained two pools, one with state employees and the other with retired teachers and other municipal members. Now, all new members go into the larger state employee pool. But GIC will keep the smaller pool until its members gradually switch over to the larger one.

SELF-INSURED AND FULLY INSURED PLANS

Some GIC plans are self insured and others are fully insured. Currently, the indemnity and PPO plans are self-insured and the HMO plans are fully insured, according to Lisa Boodman, GIC general counsel.

GIC is currently bidding for new contracts and, depending on the offers that come in, Boodman said what is self-insured or fully insured may change under new contracts.

DEADLINES

The law sets an annual October 1 deadline for municipalities to submit the agreement with the employee committee to GIC. If the agreement meets all of GIC's requirements, the municipal employees and retirees start getting coverage under GIC on the following July 1 (the beginning of the GIC fiscal year). Any members already in GIC, such as retired teachers, at the time of the transfer become members under the Municipal Partnership Act, which includes all the terms previously mentioned.

WITHDRAWAL PROCEDURES

The municipality-employee agreement must call for either three or six year commitments to GIC, and at the end of that time the employee committee, the town, or both jointly can move to withdraw their members from GIC. The agreement must specify the withdrawal procedures.

The decision and notice to withdraw must be made to GIC by October 1 of the year prior to the effective date of the withdrawal. All withdrawals take effect on July 1 following this notice. Withdrawal from GIC means the town must bargain with each union individually for health care coverage under the standard collective bargaining law.

The partnership act also bans a town from charging members more than 25% of the premium cost for health coverage after withdrawal if the members were covered by GIC before the town entered GIC via the municipal-employee agreement. In other words, it protects the retired teachers and others who were already in GIC before passage of the Municipal Partnership Act.

OTHER PROVISIONS

The law contains other provisions such as:

1. procedures for the state to follow if a town fails to pay GIC on time;
2. expansion of GIC governing board with two municipal members, one representing municipal management and one unions (another two will be added after there are at least 45,000 municipal subscribers added under the law); and
3. authority for GIC to issue regulations to carry out the new law.

SAUGUS JOINING GIC

Savings

The town of Saugus was the first municipality to join GIC under the provisions of the Municipal Partnership Act. The town estimated it will save between \$ 1 million and \$ 2.5 million a year by joining GIC. But the town personnel administrator, Fran Trainor, cautions that the arrangement is so new, exact savings are not clear yet.

The town now pays GIC \$ 700,000 a month to cover 877 employees, retirees, and dependents. Previously Saugus self insured, and its monthly cost fluctuated depending upon the claims submitted. It was usually between \$ 700,000 and \$ 900,000 a month. Since retired teachers were in GIC, Saugus already had 209 retired teachers covered by GIC. They cost the town another \$ 1.7 million a year.

With GIC some administrative costs come as a surprise. “We just got a bill for \$ 7,000 for the coming open enrollment period for printing the enrollment documents. I questioned the cost but they told me they couldn't print any less,” Trainor said.

She also noted that GIC is currently putting its contracts out to bid, and the town will have to wait and see what the new costs will be when that process is finished.

The Process of Switching to GIC

Legislators included an amendment in the partnership bill that permitted Saugus to join GIC effective January 1, 2008 – six months earlier than any other town – due to Saugus' dire fiscal situation. The bill was signed into law on July 27, 2007 and the deadline to file the municipality-employee agreement was October 1 (see Attachment 1 for copy of the agreement). Trainor said it was a difficult task to get a 70% favorable vote from the employee committee on an agreement. “There were many meetings. It was a lengthy and complicated process educating the employees,” she said.

The Massachusetts Teachers Association (MTA) had the greatest number of employees so it represented about 50% of the vote. The MTA pushed strongly for the switch to GIC, Trainor said. She said MTA representatives met separately with the employee committee and even hired a consultant to hold educational sessions for them.

But the MTA also had certain demands of the town. It wanted its retirees to continue to pay a 10% employee premium contribution for any plan offered under GIC. While in the beginning all town unions agreed they would not use their vote over whether to go with GIC as a bargaining chip in their own contract negotiations with the town, the MTA did just that in the 11th hour.

“We knew we couldn't reach the 70% [yes vote] without the MTA because they were 50% of the vote. And the other unions were upset that the teachers forced their contract to be settled before the employees committee agreement was settled with the town,” Trainor said.

The teachers were given a five-year contract instead of the usual three-year term.

Trainor noted the municipality-employee agreement benefits employees by including:

1. PPO plans (previously the town did not offer one) with the town paying 90% of the premium and employees paying 10%,
2. the HMO plans also have a 90/10 contribution split,
3. indemnity plans have a 75/25 contribution split (previously the split was 65/35), and
4. town pays 60% of the Medicare B monthly cost (previously it made no contribution to this).

The employees had to accept somewhat higher copays, no dental coverage for children under 12, and they all have to move onto Medicare when they are eligible. Moving all eligible retirees to Medicare B or proving that they were already on Medicare B, was a challenge under the short time frame.

“We spent many days calling seniors at home, in nursing homes, trying to get them to enroll in Medicare or give us the paperwork that shows they were already in,” Trainor said.

Once the agreement was in place, the town had three months to educate its employees and retirees about the new health care options and have them all enroll in a new plan so the new coverage could smoothly take effect on January 1, 2008.

RELATED WEB LINKS

Group Insurance Commission: www.mass.gov/gic

Massachusetts Municipal Partnership Act: Text of law is hosted on the Metropolitan Area Planning Council (Boston region) website: www.mapc.org/regional_planning/legislative/HealthCareActionCenter/7_26_07_Updates/TextOfLaw.pdf

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