

# Health Insurance

## Policy Workshop

Acton, Massachusetts

July 27, 2009

Jr High Library

7 p.m.

- I. Introduction (Paulina Knibbe) (5 minutes)
  
- II. Total Compensation (Steve Ledoux) (15 minutes)
  - a. Salary / benefits
  - b. One comparison town
  
- III. Legal requirements for health Insurance (Paul Hodnett) (15 minutes)
  - a. What health insurance benefits must be provided?
  - b. Constraints on changing health insurance benefits
  - c. Requirements for those eligible for Medicare
  
- IV. Health Insurance Trust Info (John Petersen) (15 minutes)
  - a. Definition
  - b. Financial Status of HIT
  - c. Fee for service, not premiums
  
- V. Structure of current health insurance plan (Marie Altieri) (15 minutes)
  - a. What plans are offered ?
    - i. Employees
    - ii. Retirees
  - b. Info about the plans

VI. Options for change (Steve Ledoux) (15 minutes)

- a. Changing within current HIT model
  - i. Co-pays
  - ii. Changing employing contribution percentage
  - iii. Health Savings Accounts (Changing deductibles)
  - iv. Encouragements
- b. GIC option (Danielle Chaplick) (15 minutes)

Acton, along with the country as a whole, is struggling with the rapidly increasing cost of providing health care. Acton’s cost for health insurance for our employees and retirees is shown in the table below.

	FY '07	FY '08	FY '09	FY '10
Appropriation	\$9,431,494	\$10,435,416	\$10,275,771	\$11,111,764
Percentage Change		10.64%	-1.53%	8.14%

The municipality, the local schools and the regional school district are self-insured which has historically allowed us to provide coverage to our employees at below premium market rates. We administer a Health Insurance Trust (HIT) that is funded through employee and employer contributions that are primarily determined through collective bargaining.

This white paper is intended to provide a brief introduction to the structure of Acton’s current Health Insurance benefits and to some of the options that we may choose to pursue now or in the future.

**Total Compensation**

The total compensation package that is offered to employees (by the Municipality, APS and ABRSD) includes both salary and benefits. The benefits are dominated by the cost of health insurance.

Most employees of the schools and the municipality are represented by union contractors. Bargaining units include:

Municipal:

- Fire
- Police
- Dispatch
- Highway and Municipal Properties crew
- Municipal Properties union

Schools (The schools have two legally independent units per union (APS & ABRSD)):

- Teachers – Acton Education Association
- Clerical – Office Support Association

⤵ Custodial and Maintenance - AFSCME

In addition, there are several categories of non-union employees :

⤵ School administrators

⤵ School support staff (bus drivers, cafeteria, special ed and classroom assistants)

⤵ Town Administrators

⤵ Town Professional employees

⤵ Town paraprofessional employees

⤵ Town - Certain ground's maintenance personnel

⤵ Town clerical staff

⤵ Town casual employees

In general, if the benefit package increases in cost, this results in downward pressure on salaries. If the cost for benefits is reduced, salaries go up. Other towns face this same conundrum and may resolve it differently.

## **Legal Requirements**

Massachusetts General Law Chapter 32B specifies the rules for providing health care coverage for municipal and school employees (<http://www.mass.gov/legis/laws/mgl/gl-32b-toc.htm>) . Health Insurance products must meet the requirements of current Collective Bargaining Agreements. Any changes to product offerings may be subject to negotiation as well as applicable state law.

Municipalities and schools are required to offer an indemnity plan. The indemnity plan offerings, costs, and percentage split must be the same among all units within a municipal entity. In some cases, the Health Insurance Trust may add products without negotiating a change to existing contracts, but all other changes require negotiations. Aspects such as co-pays, employee contributions and prescription benefits are all subject to bargaining.

The Collective Bargaining requirement may be satisfied by three distinct means:

⤵ Individual Union Negotiations

⤵ Collaborative Bargaining under Section 19 MGL 32B. Management and Labor Counsel do not recommend this process.

⤵ Informal Collaborative Bargaining – rules set between the parties

## **Structure of current health insurance plans**

Acton provides health insurance both for employees and for retirees.

— *Employees.* Employees who work more than 19.99 per week are offered health insurance. All employees are free to choose from any of the offered employee plans.

— *Retirees.* Retirees who do not qualify for Medicare continue to be covered by existing plans but they pay 50% of the cost.

<b>Plan</b>	<b>Higher Co-Pays Yearly Cost</b>	<b>Lower Co-Pays Yearly Cost</b>	<b>Higher Co-Pays Employee/Employer / Retiree</b>	<b>Lower Co-Pays Employee/Employer / Retiree</b>
<b>Indemnity Plans</b>				
Master Health Plus Individual	\$12,648	\$13,020	\$1,896/ \$10,751/ \$6,324	\$1,953/\$11,067 /\$6,510
Master Health Plus Family	\$28,573	\$29,436	\$4,286/\$24,286/ \$14,286	\$4,415/\$25,020 /\$14,718
Blue Care Elect Individual	\$11,138	\$11,136	\$1,672 / \$9,466/ \$5,569	\$1,670/\$9,466 /\$5,568
Blue Care Elect Family	\$22,838	\$22,836	\$3,425 / \$19,412/ \$11,419	\$3,425/\$19,410 /\$11,418
<b>HMOs</b>				
Harvard Pilgrim Individual	\$6,920	\$7,140	\$1,035 / \$5,884/ \$3,460	\$1,071/\$6,069 /\$3,570
Harvard Pilgrim Family	\$15,974	\$16,464	\$2,396./ \$13,578/ \$7,987	\$2,470/\$13,994 /\$8,232
Blue Cross Individual	\$6,708	\$6,924	\$1,004/ \$5,703/ \$3,354	\$1,039/\$5885 /\$3,462
Blue Cross Family	\$15,481	\$15,972	\$2,321 / \$13,160/\$7,741	\$2,396/\$13,576 /\$7,986

— *Retirees who qualify for Medicare.* All retirees who qualify for Medicare are required to move to that program when they become eligible. Acton offers supplemental insurance for retirees who are on Medicare.

<b>Supplemental Plan</b>	<b>Yearly Cost</b>	<b>Retiree / Town Contribution</b>
Medex III	4,956.00	2,478 / 2,478
Tufts Medicare Preferred*	1,968.00	984 / 984

Tufts Fee for Service*	1,980.00	990 / 990
First Seniority Freedom*	2,784.00	1,392 / 1,392

\* These plans are premium plans and as such are not part of the Health Insurance Trust.

### Health Insurance Trust (HIT) Info

The Health Insurance Trust (HIT) is a joint purchasing agency of the Town of Acton and the Acton-Boxborough Regional School District. The trust contracts with various service providers (Blue Cross / Blue Shield, Harvard Pilgrim, etc) to provide beneficiaries with access to their networks and directly administer claims from physicians, hospitals and pharmacies.

*HIT Income.* The HIT is funded by the municipality and the schools as well as from beneficiaries - municipal employees, local school employees, regional school district employees and retirees. The fund also derives income from investments (interest) and reinsurance reimbursement for large claims in excess of deductibles.

- Most town and school employees pay 15% of the cost of health insurance and the town and schools cover the remaining 85%. This percentage is set during union negotiations.
- Starting in FY10, School Administrators will contribute 25% of the costs of their health insurance. In return the Administrators received a one time cash bonus in FY 10 only of the difference between the 15% employee contribution and the 25% employee contribution.

*HIT Expenses.* The HIT is responsible for covering all the health insurance claims for covered individuals, administrative cost of the health insurance plans, the cost for the reinsurance policy and administrative expenses of the Trust.

### Coping with the National Crisis in the Cost of Health Care

MGL Chapter 32B requires universal coverage of all Town employees and retirees. We at the local level cannot solve the problem of the overall cost of Health Care; however we are able to determine the effective employer/employee share of the expense for health insurance. Below are some methodologies that effect the distribution of cost between the parties:

- Co-pays

- ⤷ Employee contribution percentages
- ⤷ Health Savings Accounts (Changing deductibles)
- ⤷ Encouragements

## **Massachusetts Group Insurance Commission**

In July, 2007, Massachusetts enacted the Massachusetts Municipal Partnership Act. This Act permit municipalities to join the state run Group Insurance Commission (GIC) to provide health insurance for their employees and retirees. Historically, the GIC pays less for its health insurance plan than most municipalities and its rate of growth for health insurance costs has been less than that of municipalities. The GIC is able to provide health insurance savings because of the large pool of people that it serves and because of different rules in how it can structure health insurance plans.

### *GIC Rules*

Once the unions have approved membership in GIC, benefits are not subject to future collective bargaining. The GIC determines health benefits, the design and type of plans offered, the insurance carriers, doctor copays, plan deductibles, plan members' rights and responsibilities and plan costs, excluding employee contributions. The percentage of the premium to be paid by the employer and the percentage to be paid by the employee is determined each year as part of the Commonwealth's budget process.

The state has made a conscious decision to use co-pays and tiered networks to drive down the premium cost. This decision has been successful. From 2001 to 2005, state health insurance costs rose 29 percent. Because municipalities lack this fundamental ability to update plan design (the co-pays, deductibles and networks), their costs rose 63 percent.

### *Requirements for joining the GIC*

The Municipal Partnership Act requires the governing entity (in our case, the municipality and the schools) to reach agreement with its unions to join the GIC. After joining the GIC, the governing entity must offer all GIC plans, commit to GIC for 3 – 6 years, and pay GIC an administrative fee of up to 1%.

The agreement process requires the formation of an employee committee that consists of representatives of each union plus one retiree member. The agreement must be approved by a 70% weighted vote of the employee committee. The votes of the members of the employee committee are weighted according to the proportion of a union's members who are eligible for GIC.

### *Some Issues to Consider*

Most discussion about the GIC includes the caveat that this is a good idea for some towns and not for others. It is not clear yet whether or not joining the GIC would be good for Acton.

### *Potential positives*

— Financial. Being in a larger 'risk pool' helps financially by spreading risk across a larger group of people and by providing a better negotiating position with health insurance providers

— Procedural. The GIC has more flexibility in plan design

#### *Potential pitfalls*

— It is not clear whether or not Acton would experience significant cost savings by joining the GIC. The analysis depends heavily on how those covered by existing plans would migrate to GIC plans. Some of the savings that other towns and cities have experienced have occurred through policy changes that Acton already does such as requiring Medicare enrollment for those who are eligible

— Local control. Currently, we can negotiate the setting of rates, plan design, benefits – including optional benefits and locally targeted wellness programs. Asking the unions to give up negotiating input on these components of the plan is likely to require concessions on other aspects of total compensation

— Comparable benefits. Currently, the GIC does not offer any Blue Cross/Blue Shield type plans. In addition, not all GIC plans are available in all geographic regions

— Withdrawal concerns. Signing up for GIC requires a 3 (or 6) year commitment. However, at that point it may be quite difficult to withdraw. Currently, the GIC does not track claims experiences by member communities. This makes it difficult for a municipality to judge whether or not the GIC has been a cost effective solution. In addition, this will make it impossible to get a competitive price quotation from outside insurance carriers

### **Summary**

The growing cost of health care and health insurance is a complicated topic and we will not solve this problem inside the borders of Acton. However, we can and must understand where we are now and what our options are as we move forward. Health Insurance is a major budget driver and a major benefit to our employees. Any changes that we may make have wide ranging implications and should be done with as much understanding as possible.