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## Municipal Health Insurance Reform Status

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*Twelve communities have adopted changes for an estimated savings of \$30 million*

In response to local officials calling for more control over managing municipal health insurance cost increases, the Legislature and Governor passed local option legislation in 2011 ([Ch. 69, Acts of 2011](#) amending Ch. 32B) that facilitates the ability of a city or town to join the state's Group Insurance Commission (GIC) or to institute plan design. Plan design provides municipalities with the ability to lower premiums and make changes in co-pays and deductibles. To date 12 communities have reached agreement for an estimated savings in the first year of \$30M. Approximately 38 municipalities are now in the negotiation process or will be soon.

Other municipalities, such as Boston, anticipating the legislative change or because of it have been able to negotiate cost saving features in their health insurance plans for an estimated first year savings of \$30M.

Both municipalities and employees benefit from the estimated savings. Of the \$30M savings for the nine communities, \$16M is expected to be realized by local governments and over \$13M by local employees through premium reduction and mitigation benefits. Local employees will also experience an increase in their co-pay expenses. Four of the 12 municipalities agreed to join the GIC and eight have agreed to plan design changes. Plan design will likely be the more preferred option since it ensures that health care decisions will continue to be negotiated which would not be the case with joining the GIC.

### How the New Process Works

[Several steps](#) must be followed to take advantage of the new law, but central to this process is the requirement for the parties to negotiate any change in a specified time.

The key steps that must be taken are:

- A plan with a savings estimate and mitigation features for high users is presented by city or town officials to their Public Employee Committee (PEC) made up of union and retiree representatives.
- City or town officials and the PEC have 30 days to negotiate all aspects of a plan. A weighted majority vote of the PEC is required to approve.
- If the parties can't agree, the plan is sent to a three-member Review Panel which has 10 days to review if appropriate steps were taken and that mitigation steps are adequate up to 25% of savings in the first year. If so, the plan is approved.

### Boston's Response

Not certain of what the final bill's requirements would be, Boston officials and the PEC negotiated a four-year agreement through June 30, 2015 that is estimated to save \$70M with \$4.5M expected in FY12 and \$18M in FY13. The estimated savings will come from (1) plan design co-pay increases for office and ER visits and prescriptions and (2) an increase in the employees' premium share of 2.5% over two years (FY12 & FY13).