

January 2015

City and Unions Commit to Five-Year Health Plan

Savings estimated at \$45M, but actual health plans are not yet finalized

The Walsh Administration and the Boston Public Employee Committee (PEC), representing all employee unions, have agreed to a health insurance framework for the next five years that will consolidate and modify the number of plan options for active and retired employees and change plan copayments and premium splits. An RFP based on the framework has been sent to providers for new services that will start on July 1, 2015. This approach was taken rather than utilize the process authorized by the 2011 health care reform law (Ch.69, Acts of 2011) that would lead to the City joining the state Group Insurance Commission.

Section 19

Section 19 of M.G.L. Chapter 32B authorizes the City to negotiate health insurance coverage through *coalition bargaining* with a Public Employee Committee (PEC) representing all the public unions. The agreement would supersede previous health insurance plans achieved through contract agreements with each union. In 2011 the City Council adopted Section 19 and the first agreement with the PEC was for four years from July 1, 2011 to June 30, 2015. On January 14, the City Council approved the extension of Section 19 to June 30, 2020.

Health Insurance Framework

The Administration and PEC have agreed to a new 5-year health insurance framework that provides changes in areas such as:

- The City will select three non-Medicare plans, down from the current six and three Medicare Supplement plans. The City will offer a PPO plan, a Standard

HMO plan and a Value HMO plan. The City expressed a strong preference for self-insured plans. Reducing the active employee plans to three should help reduce administrative costs.

- The premium share employees will pay for non-Medicare plans will increase by 2.0% over three years from July 1, 2015 to July 1, 2017
- Co-pays for office visits will increase from \$15.00 to \$20.00 and for a specialist office visit from \$25.00 to \$30.00
- On July 1, 2017, the retiree premium share for all Medicare plans will increase by 1.0% and copays for office visits and inpatient hospital admissions will increase
- During the five years, the City will issue an RFP to explore if a prescription carve out benefit would generate savings
- The City and PEC agree to reopen any plan if its cost would trigger the excise tax provision of the Affordable Care Act
- The City will continue to reimburse 50% of the cost of Medicare Part B to all retirees enrolled in a city plan

Proposals have been received in response to the City's 5-year RFP and final plans will be selected by February 10th.

The new agreement is estimated to save \$45M over five years. However, the four-year plan that expires on June 30, 2015 was estimated to save \$70M, but actual savings are now calculated at \$59M.