CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
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PERSONNEL DEPARTMENT
MICHAEL P. GARDNER,
Director

MEMO

TO: Robert W. Healy, City Manager

FROM: Michael P. Gardner, Personnel Director

DATE: May 5, 1989

SUBJ: Legislative Package on Municipal Health-Care Reform

Pursuant to a request of the City Council in Budget Hearings, I am forwarding a copy of the legislative package developed with the Mass Municipal Association currently under consideration in the General Court. As of now all the bills, except H-3814 have been discharged to the Committee on Public Service for a study (H-3814 is, I believe, still under consideration by the Committee on Insurance).

MPG/dls

HOUSE . . . . . No. 3814

By Mr. Fitzgerald of Boston, petition of the Massachusetts Municipal Association, Frank M. Hynes, Mary L. Padula, Kevin W. Fitzgerald, John P. Burke and Robert Emmet Hayes for legislation to require health maintenance organizations to provide insurance coverage for retirees who are not included in the Medicare program. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT REQUIRING HEALTH MAINTENANCE ORGANIZATIONS TO PROVIDE COVERAGE FOR NONMEDICARE ELIGIBLE RETIREES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Section 16 of Chapter 32B of the Massachusetts General Laws is hereby amended by inserting after subsection (3) in the first paragraph thereof, the following subsection: — (4) That the appropriate public authority, upon acceptance of Section 11B of this Chapter, shall not negotiate, purchase, or execute contracts with any health maintenance organization, as defined by Section One of Chapter One Hundred Seventy-Six G, unless the health maintenance organization provides its services for retired employees and their dependents who are insured or eligible to be insured under this Chapter including the surviving spouses of said employees, regardless of said employee's eligibility for coverage under the Federal Health Insurance For the Aged Act, known as optional medicare extension as defined in Section 11C of this Chapter.

HOUSE . . . . . No. 3815

By Mr. Hynes of Marshfield, petition of the Massachusetts Municipal Association, Frank M. Hynes, Peter G. Torkildsen and Mary L. Padula for legislation to clarify the rights of municipalities to further manage health care benefits consistent with the universal health care insurance law. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO CLARIFY THE RIGHTS OF MUNICIPALITIES TO FURTHER MANAGE HEALTH-CARE BENEFITS CONSISTENT WITH THE UNIVERSAL HEALTH CARE ACT.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Section 2D of Chapter 32B of the General Laws is hereby amended by adding in the first sentence, after the words "and further provided" the words: — any employee who is covered by a group or nongroup health benefit plan financed without any participation by the employer or through another plan offered by the employer. Each employer may require any employee to verify his health insurance status so that the employer may make this determination.

HOUSE . . . . . No. 3816

By Mr. Hynes of Marshfield, petition of the Massachusetts Municipal Association, Frank M. Hynes, Peter G. Torkildsen and Mary L. Padula for legislation to clarify the responsibilities of municipalities in providing health care insurance benefits for non-represented employee units. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO CLARIFY THE RESPONSIBILITIES OF MUNICIPALITIES IN PROVIDING HEALTH-CARE BENEFITS FOR NONREPRESENTED EMPLOYEE UNITS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 23 of the Acts of 1988 as most recently amended by Section 3 of Chpater 29 of the Acts of 1988 is hereby further amended by adding at the end of the first sentence thereof, the following words: — health insurance benefits for employees not represented for the purpose of bargaining under Chapter one hundred fifty E of the General Laws, Section one, shall be determined by the appropriate public authority acting under Chapter 32B of the General Laws, Section three.

HOUSE . . . . . No. 3817

By Mr. Hynes of Marshfield, petition of the Massachusetts Municipal Association, Frank M. Hynes, Peter G. Torkildsen and Mary L. Padula for legislation to clarify the role of collective bargaining in the determination of health care benefits which municipalities will provide for their employees. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO CLARIFY THE ROLE OF COLLECTIVE BARGAINING IN THE DETERMINATION OF HEALTH-CARE BENEFITS WHICH MUNICIPALITIES WILL PROVIDE FOR THEIR EMPLOYEES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 32B Section 7A of the General Laws is hereby amended by deleting the second sentence of the first paragraph thereof. Said Chapter is further amended by deleting the last sentence in Section 9E thereof.

HOUSE . . . . . No. 3818

By Mr. Hynes of Marshfield, petition of the Massachusetts Municipal Association, Frank M. Hynes, Robert Emmet Hayes and Mary L. Padula for legislation to establish non-discriminatory payments for health insurance coverage. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO ESTABLISH NON-DISCRIMINATORY HEALTH COVERAGE PAYMENTS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

The sixth paragraph of Section 16 of Chapter 32B of the General Laws as most recently amended by Section 2 of Chapter 454 of the Acts of 1976 is hereby further amended by striking out the second sentence and inserting in place thereof the following two sentences: —

Where permitted by federal statutes and regulations, the governmental unit's contribution toward the total monthly premium cost or rate for coverage under this Section shall be the same percentage as the governmental unit's contribution for the health insurance programs provided under Sections Three, Five, and Eleven C, such contribution for said health insurance being determined from time to time under applicable sections of this chapter, and the eligible persons, having elected coverage under this section by making application as provided in Section Six, shall pay the remainder of total monthly premium cost or rate. Where such percentage amount calculation is prohibited by federal statute or regulation, the governmental unit's contribution toward the total monthly premium cost or rate for coverage under this section shall be the same amount as the governmental unit's contribution for the health insurance programs provided under Sections Three, Five, and Eleven C and the eligible persons, having elected coverage under this section by making application as provided in Section Six, shall pay the remainder of the total monthly premium cost or rate.

HOUSE . . . . . No. 3819

By Mr. Hynes of Marshfield, petition of the Massachusetts Municipal Association, Frank M. Hynes and Mary L. Padula for legislation to define the level of health care insurance benefits for employees of municipalities. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO DEFINE THE LEVEL OF HEALTH-CARE BENEFITS THAT SHALL BE PROVIDED BY MUNICIPALITIES TO THEIR EMPLOYEES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 23 of the Acts of 1988, Section 77A as most recently amended by Section 3 of Chapter 29 of the Acts of 1988 is hereby further amended by inserting in the last sentence thereof after the words "which are no less than" the words: — actuarial equivalent of the.

HOUSE . . . . . No. 3822

By Mr. Torkildsen of Danvers, petition of the Massachusetts Municipal Association, Peter G. Torkildsen, Frank M. Hynes and Mary L. Padula for legislation to clarify the right of municipalities to purchase flexible health insurance benefits consistent with the pension reform law. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Nine.

AN ACT TO CLARIFY THE RIGHT OF A MUNICIPALITY TO PURCHASE FLEXIBLE HEALTH BENEFITS CONSISTENT WITH THE PENSION REFORM LAW.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Section 5 of Chapter 32B of the General Laws as most recently amended by Chapter 697 of the Acts of 1987 is hereby further amended by adding after the second sentence thereof the following sentence: — Such schedules of hospital, surgical, medical, dental and other health insurance benefits may be determined by the appropriate public authority to permit flexible benefits in the nature of a cafeteria plan option which would permit selection by the employee of various optional plan coverages, including all cafeteria plan options recognized by the Department of the Treasury Internal Revenue Service, as determined by the appropriate public authority, provided that the appropriate public authority's contribution to be provided each employee and his dependents shall be the same actuarial value for all employees and retired employees and their dependents subject to the amount of the appropriation made available for such purpose.

H-3814
(HMOs for Retirees)

AN ACT REQUIRING HEALTH MAINTENANCE ORGANIZATIONS TO PROVIDE COVERAGE FOR NONMEDICARE ELIGIBLE RETIREES

Talking Points

This bill would require any HMOs contracting with cities and towns to include non-Medicare eligible retirees in their offered plans.

HMOs are presently under no obligation to offer benefits to retirees who do not receive Medicare. As a rule, non-Medicare eligible employees enrolled in HMOs who retire are forced to move to another plan, regardless of their wishes to stay in the HMO. This primarily affects only the public sector, since private sector retirees generally qualify for and receive Social Security and its Medicare benefits. This forces retirees (often the least healthy members of a health insurance program) into the primary (indemnity) plan, driving up the rates.

In effect, this causes those who use health care services the most to enroll in the plan that manages the cost and utilization of their benefits the least. It is in everyone's interest if those who use health care services the most are in the plan that monitors, guides, and oversees the cost of their care the most. It means that those individuals get the most out of their plan and that the care they receive is provided in the most efficient manner.

H-3815
(Anti-Double-Dipping Bill)

AN ACT TO CLARIFY MUNICIPALITIES' RIGHTS TO FURTHER MANAGE HEALTH CARE BENEFITS CONSISTENT WITH THE UNIVERSAL HEALTH CARE ACT

Talking Points

In freeing municipal employers from the obligation to provide health coverage to an employee already covered under another plan, this bill would not reduce the real benefits which are effectively offered to municipal employees. Municipal employers remain obligated to provide health coverage if employees are not covered (or cease to be covered) by another plan.

Dramatic increases in primary plan rates (and the effect of the matching dollar requirement for employers' contributions to other plans) have led many employees already covered under a spouse's family plan to enroll in an HMO because it represents no cost to the employee. It does, however, represent significant costs to the employer, who must pay the HMO premium regardless of other coverage the employee may have. The cost of providing such "duplicate" coverage is projected in the tens of millions for communities statewide.

The Universal Health Care Act made a similar provision for private employers, letting them exclude from coverage employees already covered by other plans. If municipal employers are not given the same freedom as private employers, municipalities -- which can least afford the cost -- will become the dumping ground of health care coverage for private employers.

Employees covered by two policies when one is sufficient are not the ones benefiting. Municipal employers who pay for duplicate health coverage from a limited pool of dollars are not benefiting. The only ones benefiting from the current situation are the health care providers, who are receiving double the premium for the service they provide.

Money spent by cities and towns on duplicate health coverage is money that cannot be spent on salary increases, on vital capital expenditures, and on the staffing of critical positions. The elimination of duplicate coverage for health insurance is one way cities and towns can manage their limited financial resources effectively while remaining responsible employers.

H-3816
(Rollbacks and Non-Represented Groups)

AN ACT TO CLARIFY THE RESPONSIBILITIES OF MUNICIPALITIES IN PROVIDING HEALTH CARE BENEFITS FOR NONREPRESENTED EMPLOYEE UNITS

Talking Points

This bill provides for the means of negotiating changes in benefits for employees not represented by a bargaining unit.

This language fills the gap missing in Ch. 29 of the Acts of 1988 (S-1620), which currently provides a mechanism for negotiating through the collective bargaining process, but which has no such provision for non-represented groups.

Lack of such a provision deprives non-union employees of the freedom to trade a change in their benefits plans for increases elsewhere in their benefits and compensation packages.

Its absence effectively prevents municipal employers from negotiating health care changes with non-represented employees -- no matter how willing employees are to negotiate.

H-3817
(Eliminate 'All for one' - Collective Bargaining & 1620)

AN ACT TO CLARIFY THE ROLE OF COLLECTIVE BARGAINING IN THE DETERMINATION OF HEALTH CARE BENEFITS WHICH MUNICIPALITIES PROVIDE FOR THEIR EMPLOYEES

Talking Points

This proposed bill clears up an existing inconsistency which resulted from the passage of Chapter 29 of the Acts of 1988 (S-1620), the anti-rollback bill.

According to Chapter 29, increases in employees' premium percentages, deductibles and copayments may be collectively bargained. However, Chapter 32B of the MGLA requires that premium percentages must be the same across the board for all employee groups. This makes it virtually impossible to collectively bargain a change, as whatever agreement results from the bargaining must be the same for all bargaining groups or be rendered null and void.

This bill would give both employees and employers the freedom to use collective bargaining as an effective and meaningful tool in negotiating a benefits and compensation package.

H-3818
(Equal Percentage Bill)

AN ACT TO ESTABLISH NONDISCRIMINATORY HEALTH COVERAGE PAYMENTS

Talking Points

This bill would change the amount a municipal employer contributes for an employee's health coverage from an amount equal to the dollar amount paid for the primary plan to an equal percentage.

The change is consistent with a recent change in Federal language which allows for employer payment of HMO premiums in the same percentage amount as the primary care plan. The original matching dollar language was designed to protect HMOs when they were first becoming popular in the US. Now that HMOs have become firmly established, there is no longer a need for this protectionist language. In Massachusetts, HMOs and other alternative plans often cost much less than the primary (indemnity care) plan. As a result, people enrolled in HMOs may pay little or nothing for the benefit. This aggravates the problem of adverse selection (where healthier people choose alternative plans based on price, leaving the least healthy people in the primary plan. This drives up the primary plan's rates dramatically).

Free health care was not the original intent of the law -- and yet it has been the net result in community after community under the equal dollar contribution. In an era of hard fiscal choices, municipalities must look carefully at the implications of "free" health care for HMO enrollees and its effect on the rates of the primary plan.

H-3819
(Actuarial Equivalent)

AN ACT TO DEFINE THE LEVEL OF HEALTH CARE BENEFITS THAT SHALL BE PROVIDED BY MUNICIPALITIES TO THEIR EMPLOYEES

Talking Points

This bill would amend Chapter 29 of the Acts of 1988 (S-1620, the anti-rollback bill) so that a health care plan with richer overall benefits can be implemented even if it means the removal from the package of other benefits.

This is not a benefits take-away. Employers remain obligated to provide programs which have the same bottom-line value as the original plan.

Rather, this encourages cities and towns to seek out the most efficiently managed form of health care, making the provision of quality health care more cost-effective.

Language in Chapter 29 unilaterally prohibits the removal of any benefit, effectively blocking municipalities from moving to more effectively managed care programs.

Municipalities are moving to more managed health care programs. In the process, they may add new benefits (dental care, for example) but delete less-used ones. They may alter benefits plans to encourage employees to use health services more efficiently. For example, many health plans increased the copayment amount for visits to an emergency room to discourage use of the emergency room as an office visit.

This proved an effective way of controlling health care costs and encouraging the most cost-efficient use of services.

H-3822
Cafeteria Plans

AN ACT TO CLARIFY THE RIGHT OF A MUNICIPALITY TO PURCHASE FLEXIBLE HEALTH BENEFITS CONSISTENT WITH THE PENSION REFORM LAW

Talking Points

This bill would allow cities and towns to offer flexible benefits or cafeteria plans within the language of Chapter 32B.

The Pension Reform Act (Chapter 697 of the Acts of 1988) allows cities and towns to offer flexible benefits plans to employees, but does not do so within the language of municipalities' health insurance obligations as outlined in Chapter 32B. Existing Pension Reform Act language does not prevent an employee who has selected benefits other than health care from demanding health care under the requirements of 32B.

Cafeteria plans are a pro-employee form of benefits administration which lets employees to choose the benefits they prefer.

However, no city or town should/will offer a cafeteria plan unless they can be assured that, in doing so, they have met their obligations for health care under Chapter 32B.

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

May 8, 1989

To the Honorable, the City Council:

Enclosed please find copy of a communication from Michael P. Gardner, Personnel Director, including a legislative package on Municipal Health Care Reform.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Agenda Item No. 16 S-347

Re: report from Michael P. Gardner, Personnel Director, including a legislative package on Municipal Health Care Reform.

In City Council,

May 8, 1989

5-8-89

Placed on File.