For those surviving spouses who are not eligible for Medicare and Medex, and who must pay rates not subsidized by Medicare, we do maintain lower cost HMOs for alternative coverage which save them significant amounts through lower premiums. We recently were able to persuade all of these HMOs to offer coverage to non-medicare eligible individuals over the age 65. In our next reenrollment period, in June, 1990, we can make an extra marketing effort to educate the surviving spouses about these options.

Given the uncertain but difficult fiscal times ahead, changes in this pay mix will be difficult to fund.

Very truly yours,

Robert W. Healy
City Manager

RWH/dls

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CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 498-9030

OFFICE OF
JAMES P. MALONEY, JR.
ASSISTANT CITY MANAGER
FISCAL AFFAIRS

January 22, 1990

To the Honorable, the City Council:

In response to Awaiting Report Item No. 9, relative to spouses of deceased retirees paying 50% of the cost of health benefits, please be advised of the following:

Current surviving spouses of retirees pay approximately $187,250 annually toward the cost of their health insurance. The overwhelming majority of them, on the Medex plan, pay $437.40 per year for the coverage, or $36.45 per month, or $9.11 per week.

As a 50% payor, the City contributes a similar amount, totally $187,250 per year.

Any change in the contribution rate will shift extra costs to the City.

For example, providing 99% coverage to surviving spouses would cost at least an extra $183,505, and probably more, as rates rise, and more eligible surviving spouses, who have options, chose the City plan over other options that may be available to them.

If the City provided 75% coverage, it would cost the City an additional $93,625 pe year, more as rates rise.

Generally, an eligible spouse is entitled to 67% of his or her spouse's pension benefit. If the health insurance were treated roughly the same way, the City would contribute 67% of the cost of health insurance. This would cost the City an additional $63, 665 at current rates, and reduce the Medex premium payment by the surviving spouse to $22.06 per month or $288.68 per year.

Our efforts to reduce the burden on the surviving spouses in another manner, which we have explored in depth, i.e., treating the payments as exempt from income tax, is not permitted under the U.S. Tax Code.

Agenda # 15 S-53

Awaiting Report Item Number Nine regarding
spouses of deceased retirees paying 50%
of the cost of health benefits.

In City Council,

January 22, 1990

Referred to Finance
Committee on motion of
Councillor Cyr.
Copy sent to Finance
Committee 1/23/90 (ac)