

9



CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

October 22, 1990

To the Honorable, the City Council,

In response to Calendar Item #6 of October 1, 1990 regarding the contribution rate health care coverage for surviving spouses of retirees, please be advised of the following:

The proposed Council Order would increase the cost of providing health insurance to surviving spouses by approximately \$220,000 in the first year. As time goes on, this cost will increase, not only because of the general escalation of health insurance costs but also because more and more newly eligible surviving spouses with options would opt for City paid coverage with a minimal contribution rate rather than to obtain insurance through other sources that may be available to them, but which are more expensive because of a higher employee contribution rate, such as from their employers, or their employers retiree plans.

The extra \$220,000 that would have to be spent in the first year, and the increasing amounts in subsequent years would provide no services to city residents and would make future service cuts more likely as we head into difficult fiscal circumstances.

The City's current labor relations policy is attempting to persuade unions to agree to change the City's contribution rate from 99% to 90%. An extension of the 99% rate to surviving spouses would be counterproductive to that important effort.

I recommend that, should the Council decide to accept G.L.c.32B section 9 1/2, it increase the contribution rate by no more than 17%, for a total contribution of 67%. The annual cost of such an increase would be approximately \$76,000, and would not be so generous as to be likely to induce future surviving spouses with other alternative coverage to elect City coverage instead.

Very Truly Yours,

A handwritten signature in dark ink, appearing to read "Robert W. Healy", is written over a horizontal line.
Robert W. Healy
City Manager

Agenda # 9

S-1024

RE: the contribution rate health care
coverage for surviving spouses of
retirees.

In City Council,

October 22, 1990

Placed on file