

CITY COUNCIL
CITY OF CAMBRIDGE

~~AGENDA ITEM NO. 8(A)~~
CALENDAR ITEM NO. 6(A)

~~April 27, 1987~~

May 4, 1987

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1986

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1986-87 the following sum is hereby appropriated in the General Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
General Government	Employee Benefits		\$1,700,000.00			\$1,700,000.00

BE IT FURTHER ORDERED: That the above appropriations in the General Fund to be financed by estimated revenues drawn from the following sources:

In City Council May 4, 1987.

Adopted by a yeas and nays vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- Joseph E. Connerton, City Clerk.

A true copy;

ATTEST:-

Joseph E. Connerton

FINANCING PLAN

REVENUE

Property Taxes

\$1,700,000.00

CITY COUNCIL
CITY OF CAMBRIDGE

~~AGENDA ITEM NO. 8 (B)~~
CALENDAR ITEM NO. 6(B)

~~APR 11 27, 1987~~
May 4, 1987

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1986

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1986-87 the following sum is hereby appropriated in the General Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Community Maintenance and Development	Public Works		\$998,000.00			\$998,000.00

BE IT FURTHER ORDERED: That the above appropriations in the General Fund to be financed by estimated revenues drawn from the following sources:

In City Council May 4, 1987.

Adopted by a yeas and nays vote:-

Yeas 7; Nays 2; Absent 0..

Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-

Joseph E. Connarton

FINANCING PLAN

REVENUE

Property Taxes

\$998,000.00

City of Cambridge

MASSACHUSETTS

In City Council April 27, 1987

AGENDA ITEM NO. 8 (A)

RE: APPROPRIATION OF \$1,700,000. TO THE EMPLOYEE BENEFITS OTHER ORDINARY MAINTENANCE ACCOUNT

	YEA	NAY	ABSENT	PRESENT
Mr. Thomas W. Danehy	✓			
Mr. Francis H. Duehay	✓			
Ms. Sandra Graham	✓			
Mrs. Sheila T. Russell	✓			
Mr. David E. Sullivan	✓			
Mr. Alfred Vellucci	✓			
Mr. William H. Walsh	✓			
Ms. Alice K. Wolf	✓			
Mayor Walter J. Sullivan	✓			

4/27/87
C. Walsh
Chairman

City of Cambridge

MASSACHUSETTS

In City Council April 27, 1987

AGENDA ITEM NO. 8(B)

RE: APPROPRIATION OF \$998,000. TO THE PUBLIC WORKS OTHER ORDINARY MAINTENANCE ACCOUNT

	YEA	NAY	ABSENT	PRESENT
Mr. Thomas W. Danehy	✓ ⁽¹⁾	✓ ⁽²⁾		
Mr. Francis H. Duehay	✓			
Ms. Saundra Graham	✓			
Mrs. Sheila T. Russell	✓			
Mr. David E. Sullivan	✓			
Mr. Alfred Vellucci	✓			
Mr. William H. Walsh		✓		
Ms. Alice K. Wolf	✓			
Mayor Walter J. Sullivan	✓			

C. Russell
MS
MS

8
7

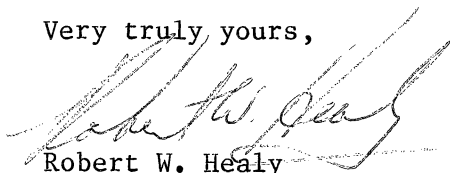
2

A second area causing the increased costs is problems that occur in billing for the new drug prescription benefit granted under Master Health Plus. The City was not billed for any claims from the period beginning in August 1985 through July, 1986 until August, 1986. Therefore, virtually two years worth of drug claims (approximately \$400,000) were paid in FY87. This problem was not known until after the development of the FY87 budget. Blue Cross now claims to be current in drug billing.

The third factor causing the supplemental request are premium increases for various Health Maintenance Organizations (HMO's) larger than stated by them when the FY87 budget was prepared. The actual premiums proposed by the companies in June of 1986 was significantly larger than the earlier projections and have contributed to the shortfall.

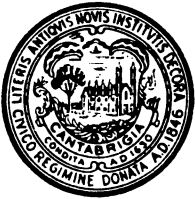
While inpatient utilization has decreased somewhat under the Master Health Plus program, it has not decreased enough to offset the dramatic increases in the average daily rates for hospitalization. Master Health Plus is designed to identify and reduce or eliminate unnecessary or inappropriate utilization of hospital services. For the City of Cambridge, it has done this, although not yet to the extent we would like. Both hospital admissions and the "day incidence rate" or the number of inpatient hospital days per thousand members, have declined under Master Health Plus, as they should have. Average length of stay per admission is also down for all major diagnostic categories except psychiatric, a notoriously difficult category to control. However, these declines in usage of inpatient services have been more than offset by the increased costs hospitals have charged us for their services. Finally, the Council should be aware that had the City not accepted the Master Health Plus program, it is projected that our costs would have been an additional six percent higher under the previous Blue Cross program.

Very truly yours,



Robert W. Healy
City Manager

RWH/dls



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

April 27, 1987

To the Honorable, the City Council:

Recommendation. That the City Council appropriate \$1,700,000 to Employee Benefits Other Ordinary Maintenance, and \$998,000 to Public Works Other Ordinary Maintenance Account.

Background. As the City Council has been aware for some time now, two major accounts, employee health insurance and solid waste disposal, are underbudgeted for the current fiscal year due to price increases that occurred after the start of the fiscal year. These supplemental appropriations will bring those accounts into balance. The section that follows will detail the request.

Public Works. The original fiscal year 1987 Public Works budget contained \$828,000 for solid waste disposal, based upon 38,000 tons disposed at a rate of \$21.80 per ton. The first 26,000 tons collected of this fiscal year were disposed of at the \$21.80 rate. In January, the City was hit with a rate increase of \$40.45 to \$62.25 per ton. In addition to that, it is now estimated that the City will now collect over 46,000 tons this year rather than the original estimate of 38,000 tons. The increased tonnage combined with the increased rate has resulted in a budget shortfall of \$998,000.

Health Insurance. Several factors combine to contribute to the \$1,700,000 supplemental request to cover increases in employee and retiree health insurance costs. However, a substantial and unexpected increase in health care costs in the Greater Boston Area is the primary cause for the request. During calendar year 1986, health care costs exceeded the general inflation rate by 700 percent nationally. The impact this had on the City's budget can be seen from the fact that the average daily rate that the City paid for employee hospital stays increased from \$557/day to \$724/day, an increase of 30 percent. The damage done by such an increase is compounded when one considers that during the last year, admissions for serious illnesses such as heart and stroke conditions and cancer increased substantially. These three conditions jumped from 30 percent of our inpatient cost in 1984, to 45 percent this past year. The final area where substantial inpatient costs increased was in psychiatric care, an area where we are working with Blue Cross to divert treatment to less expensive settings.

#6P-198

Re: two orders. The first for the appropriation of \$1,700,000. to the Employee Benefits & Other Ordinary Maintenance Account. The second, appropriation of \$998,000. to the Public Works Dept.

In City Council,

April 27, 1987

C. Walsh
Charter Right

5/4/87

Order Adopted
C. Russell Roll Call # 8 A
MS 9-0-0
AF Roll Call # 8 B
8-1-0