CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011
FAX. 868-8159

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

TO: The Honorable, The City of Council **DATE:** June 19, 1990

FROM: Robert W. Healy
City Manager

RE: Council order #16 6/11/90 Extending open enrollment period for Health Insurance and declare a moratorium on HMO rate changes

This council order requests that I extend the open enrollment period for health insurance beyond the one month period for which it has been open and do not implement the statutorily imposed changes in the HMO contribution rate. The open enrollment period has traditionally been for 3 or 4 weeks over lapping the months of May and June. It is the one time a year an individual can switch health plans or when an otherwise eligible employee who did not take insurance previously can sign up for future coverage. The period this year was from May 14 to June 15, 1990, with all changes to be effective July 1, 1990. Because of the changes in the HMO contribution rate, we anticipated more questions about the plans, and provided more detailed information about coverage and cost issues that has been done in recent years, and scheduled three health fairs for employees to meet with insurance company and HMO representatives.

The difficulty with extending the open enrollment period indefinitely is the great disruption this causes in establishing coverage effective July 1, 1990. Unless we report the changes to the insurance companies in a timely manner, they are unable to process additions and deletions in time to ensure no gap in coverage. Delays in reporting mean delays in issuing membership cards and may mean denial of service (e.g. no card-no pharmacy coverage under BC/BS M.H.Plus). An indefinite extension of open enrollment would leave many people in limbo on July 1, 1990 over a very important benefit, and would make our accounting and billing very difficult to reconcile.

There also do not appear to be large numbers of persons making decisions to switch into or out of plans based on price. Only 32 individuals have elected to switch from HCHP, our largest HMO, into Blue Cross Blue Shield. A smaller number of persons have moved from Blue Cross to H.C.H.P. Thus it does not appear that the small increase in the cost of the HMO's is driving large numbers of persons to seek alternative coverage.

We spoke with the top marketing representative at HCHP about extension of the open enrollment. He has cautioned against it, particularly in light of the fact that we are currently negotiating with HCHP to allow any of the individuals who switch from HCHP to Blue Cross during this open enrollment to continue to receive services at the HCHP centers, if they wish, paid for under the Blue Cross Plan. This is a major request made, in bargaining, by Local 195 to lessen the impact of changes in the HMO contribution rate on their members. (If successful, the agreement would benefit former HCHP members in all unions however). In order to have a chance at success however, these negotiations require that we establish a definite number of affected members. By extending the open enrollment indefinitely we could not accomplish this, and hence jeopardize a major negotiation with Local 195. H.C.H.P. therefore recommended against an extension.

Finally, there is no telling when any "final" changes in the HMO contribution rate will be decided upon. If the decision is tied to the budget process, which may be tied to taxes, it could take months. We cannot administer the insurance program with such an open ended open enrollment period.

For these reasons, I am declining to authorize any extension of the enrollment period.

With respect to a moratorium on changes in the contribution rate, I do not see how I can do this. The change was imposed by state law. Because it does not impose additional costs on the City there is no constitutional argument that it imposes an unfunded mandated on us. There is currently legislation pending to reconsider this issue, but the outcome of that is uncertain. Until then, I believe I must follow the law. This includes making decisions about contract interpretations with the various unions. Because the union have widely varying language about HMO's in these contracts, the impact will vary union by union.

Agenda # 47 5652

Council Order Number 16, of 6/11/90 regarding extending open enrollment period for Health Insurance and declare a moratorium on HMO rate changes.

In City Council,

June 25, 1990

Referred back to City manager for delay in the implementation

Copy sent to City manager 6/28/90 dc