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## Time to Reassess GIC Entry Requirements

### *Limited municipal membership falls far short of property tax relief promise*

In 2007 and 2008, a total of 17 municipalities (4 cities & 13 towns) have met the conditions to join the state Group Insurance Commission (GIC) for employee health insurance coverage. That represents only 4.8% of the 351 cities and towns in Massachusetts. When the law authorizing municipalities to join the GIC was passed in July 2007, it was touted as a means to provide property tax relief to cities and towns through savings of employee health insurance.

The actual response to the legislation has fallen far short of that goal primarily due to two trends: (1) requirements to join the GIC are too difficult and (2) some communities feel they are better served in their current health care collaborative. With expected state aid cuts looming in FY10, action should be taken on two fronts.

- The enabling legislation should be amended to eliminate the preconditions for joining the GIC. A phased-in process would need to be established to accommodate administrative needs of the GIC.
- Extend to municipalities, health collaboratives and insurance pools the same administrative authority over plan design as exercised by the Commonwealth.

**Amending Existing Legislation** - The requirements for municipalities to join the GIC are difficult which may help to explain the limited response to date. Currently, municipalities interested in the GIC must enter into coalition bargaining with a committee of representatives from each employee union, each with a weighted

vote based on their members' participation in the health insurance system. The municipality and employee committee must negotiate conditions for entering the GIC and 70% of the unions' weighted vote must support the move to the GIC.

**Administrative Authority** - Since 1955, the state, through the GIC, has had administrative control over plan design of its employee health insurance including decisions on co-pay and deductibles. By contrast, municipalities have been required to negotiate all aspects of employee health insurance with each of their employee unions before any change could be made. Control over plan design is the critical distinction that has allowed the state to provide employee health insurance at a lower cost than Boston and other municipalities over time. From FY01 to FY07, Boston's employee health insurance costs increased by 92% while the state costs increased by 61%.

Some communities may feel they are better served in their health collaboratives or insurance pools, which is why there is a push to extend plan design to these groups and large cities. Several municipalities are closely tied to Blue Cross Blue Shield which has not offered plans to the GIC but has developed its own lower cost plans for cities and towns.

Health insurance spending continues to increase at a faster pace than revenue growth, creating an unsustainable situation. Real reform that will benefit all or most municipalities should be a top priority of the Governor and Legislature in 2009.