

May 2011

## House and Senate Act On Local Health Insurance Reform

*Agreement on major issues are similar but key differences still need to be addressed*

The House and Senate have approved plans that can provide meaningful and needed reform of municipal health insurance by providing plan design authority over co-pays and deductibles or facilitate entry to the Group Insurance Commission (GIC). The House version is stronger but the Senate proposal has similar features in the basic reform framework. Both plans preserve collective bargaining rights over health insurance greater than available to state employees. A few late amendments in the Senate plan may be too costly, not realistic or would delay implementation so decisions made in conference committee are critical to final success.

**Basic Framework** - Both proposals allow municipalities to adopt new provisions that would authorized cities and towns to either engage in plan design or enter the state GIC. However, the municipal authority must first negotiate the proposed changes with a public employee committee (PEC) made up of representatives of each of the collective bargaining unions.

**Negotiating Format** - Both plans provide 30 days for the municipal authority and PEC to negotiate the proposed changes, agree to the dollar savings estimate in the first year and plans to mitigate or cap the impact on retirees, low-wage workers and heavy users of health insurance.

**If Do Not Agree** - If agreement is not reached, the plans differ on the next step. The House plan allows the municipal authority to implement the plan design changes unilaterally or transfer to the GIC as originally proposed. The municipality is required to set aside 20% of the first year's estimated savings for a health reimbursement

account to offset costs for high users and retirees. The set aside would have been 10% if the parties had agreed within the 30 days.

The Senate plan adds an additional step by requiring the plan to be submitted to a three-person "municipal health insurance review panel." If the plan is to join the GIC or the benefits sought do not exceed the "median benefits" offered by the GIC, the panel is required to approve the plan within 10 days. Within that time, it must also confirm the estimated savings and review the mitigation proposal but not approve a plan that returns more than 33% of the first year savings for mitigation purposes.

**Plan Design Standard** - The House proposal requires that the cost of the plan design features be no more than the cost of the GIC plan with the largest subscriber enrollment (Harvard Pilgrim Independence Plan). As noted above, the Senate plan requires the features not exceed the cost of the median plan benefits offered by the GIC, a more difficult standard to administer.

**Premium Share** - Decisions regarding the premium share paid by the local employer and employee remain subject to collective bargaining. At the state level, the Legislature decides by statute the premium share.

**Mandatory Medicare** - Both proposals require the mandatory enrollment of eligible retirees in Medicare. These proposals repeal the laws that enable municipalities to choose by local option to require enrollment or to adopt the requirement only for prospective eligible retirees as was done by the City of Boston.