

The New Municipal Health Insurance Reform Law

**MA Collectors & Treasurers
Association**

November 15, 2011

The New Municipal Health Insurance Reform Law

- Signed into law by Governor Patrick on July 12, 2011
- Administration & Finance charged with regulations for implementing changes in health insurance plan design under the new law.
 - Emergency Regulations in effect
 - Comment period on regulations ends October 10th
 - A&F then issues Permanent Regulations
 - Regulations online at: www.mass.gov/eoaf

Benefits

- Significant and immediate savings to local governments
- Greater flexibility for local governments over their health insurance decisions
- Preserves meaningful role for labor in the process
- Protects health care quality for retirees and municipal employees
- Provides process for changes in co-pays, deductibles and other cost-sharing features only; changes in contribution rates still subject to collective bargaining
- Savings will be shared with subscribers who are most affected by changes, including retirees, low-income subscribers and those with high out-of-pocket costs

Local Option

- Local option process for cities and towns to implement health care plan design changes
 - Adjust local plan co-pays, deductibles, other cost-sharing plan design features

OR

- Join the GIC

Local Option: Change local plans

- Adjust local plan co-pays, deductibles, other cost-sharing plan design features
 - So long as those features are not higher than those offered by GIC
 - GIC benchmark is the most-subscribed GIC plan
 - Benchmark plans available on GIC Web site
 - Most-subscribed Non-Medicare plan
 - Most-subscribed Medicare plan
- Contribution ratios cannot be changed through the new process.

Local Option: GIC

- Join the GIC
 - Transfer to GIC so long as it would result in 5% more savings than could be achieved through adjustments to your local plans
 - Make this assessment by comparing the savings that would result from adjusting your plan's co-pays, deductibles, other cost-sharing plan design features to same co-pays, deductibles, etc. of GIC benchmark plan

The Process: Notices

- Proper and timely notification at each stage of the process is critical.
 - A duly noticed process, with all necessary information provided, will make for a smoother, more efficient and effective process for all involved
- The A&F regulations lay out the notice requirements, including timing and content.
- Copies of all notices, written agreements, and decisions must be submitted to A&F at:
MunicipalHealth@state.ma.us

The Process

1. **Adopt new law** (G.L.c.32B, Sections 21-23) creating process for changing health insurance plan design
 - Vote by city council and manager or mayor, by selectboard in towns, **RSD school committee**, district meeting
 - Adoption only required once; then use process as often as desired
2. Prepare proposal
3. Discussion with IAC
4. 30-day negotiation period with PEC
 - 4a. Prep for review panel*
5. 3-person review panel (if necessary)

* The administrative task of organizing the review panel occurs during the 30-day negotiation period, so the process can move expeditiously to the panel stage if needed (details in the regulations).

The Process: Proposal

- Prepare proposal
 - Proposed changes in plan design OR proposed transfer to GIC
 - Estimated savings in first 12 months of implementation of those changes
 - Analysis that supports the savings estimate
 - Proposed mitigation plan for disproportionately affected subscribers
 - Proposed sharing of up to 25% of savings with subscribers by funding mitigation plan

The Process: IAC

- Discussion with IAC
 1. Notify IAC
 2. Provide IAC with estimated savings and documentation
 3. Hold discussion with IAC on proposed changes and estimated savings

The Process: PEC

- Negotiation with PEC

1. Notification to bargaining units and retiree organization
 2. Provide the proposal to PEC (as part of “Implementation Notice”)
 3. 30-day negotiation period with PEC
 - Option for extension of negotiations if both sides agree
- ✓ Achieve written agreement
 - plan design changes or transfer to GIC, estimated savings, savings sharing, mitigation plan, timeframe for implementing changes, etc.
 - PEC vote is simple majority, by weighted vote using the same allocation that is currently used in Chapter 32B, Section 19, including retiree representative has 10% vote

The Process: Prep for Review Panel

- Prep starts three days into negotiation phase
- Set up 3- member panel
 1. PEC appointee
 2. Public authority appointee
 3. Neutral chosen from list of 3 candidates
 - » List of 3 candidates provided by A&F
 - » Selection made by PEC and public authority appointees or by A&F if appointees cannot agree
 - » Neutral serves as panel chair
- Actuarial support provided

The Process: Review Panel

- Review Panel
 - If negotiation period does not result in agreement, the matter is referred to a review panel
 - Panel has 10 days to reach a decision
 - 3- member panel
 - PEC appointee
 - Public authority appointee
 - Neutral chosen from list of 3 candidates
 - » List of 3 candidates provided by A&F
 - » Selection made by PEC and public authority appointees or by A&F if appointees cannot agree
 - » Neutral serves as panel chair
 - Panel meetings are subject to Open Meeting Law

The Process: Review Panel

- Panel's tasks during 10 day period:
 1. Confirm that proposed changes don't exceed GIC benchmark
 2. Confirm estimated savings
 3. Review and approve mitigation proposal
- ✓ Panel produces written decision

The Process: Review Panel

- Panel's tasks:
 1. Confirm that proposed changes don't exceed GIC benchmark
 - ✓ If don't exceed GIC benchmark, panel approves implementation of changes
 - If exceed GIC benchmark, public authority must submit new proposal to PEC and start negotiation process over

The Process: Review Panel

- Panel's tasks:
 2. Confirm estimated savings
 - ✓ Panel confirms estimated savings
 - OR
 - Panel finds savings estimate unsubstantiated
 - Panel can request additional info on savings estimate
 - Panel can request PEC response to savings estimate
 - Actuarial assistance provided to Panel

The Process: Review Panel

- Panel's tasks:
 3. Review mitigation proposal
and any alternative mitigation proposal from PEC
- ✓ Panel approves proposal for mitigating impact of changes on subscribers and sharing of cost savings for mitigation
OR
- Panel determines proposal insufficient and requires additional savings sharing with subscribers
 - Maximum of 25% of estimated savings can be shared with subscribers through mitigation

The Process: Review Panel

- Panel's tasks:
 - ✓ Panel produces written decision
 - Decision constitutes written agreement between PEC and public authority and is binding on all parties.
 - Panel is dissolved.

Implementation of changes

- How soon can a public authority make changes?
 - As soon as practicable after completing the process
 - Then Federal law requires 60 days notice to subscribers before changes implemented
 - In FY2012 only, there are three opportunities to transfer to GIC

Implementation of changes

- Impact of existing labor contracts
 - No changes for subscribers covered under an existing collective bargaining agreement (CBA) that specifies a particular co-pay, deductible or other cost-sharing plan design feature until their CBA expires

Implementation of changes

Can a public authority in GIC use the new process to implement benefit changes?

- Entities in GIC must remain in GIC coverage for a minimum of three years, and may withdraw from GIC coverage at three or six year intervals.
- If an entity withdraws from GIC in compliance with GIC requirements, it may use the new process OR the process provided in Chapter 150E (collective bargaining) to make changes in health care plan design.

Implementation of changes

Reporting on implementation

- Regulations require reporting by each political subdivision by June 30, 2012
 - health insurance plans offered
 - If took advantage of the new process
 - If didn't take advantage of new process, savings that would have been achieved if took advantage of process to maximum benefit

Implementation of changes

Can a limited network be part of changes?

- Only if also provide a plan without a reduced or selective network.

Implementation of changes

Can a municipality in a health insurance joint purchasing group use the new process to implement benefit changes?

- Review your joint purchasing group's existing decision-making process for making plan design changes to determine if the new process is a good alternative to your existing process.

Compare cost-sharing features of local plan to GIC benchmark plan

<u>Example A: 1 tier local plan</u>	<u>GIC</u>
1. \$5	1. \$10
	2. \$20
	3. \$30
<u>Example B: 2 tier local plan</u>	<u>GIC</u>
1. \$5	1. \$10
2. \$10	2. \$20
	3. \$30
<u>Example C: 3 tier local plan</u>	<u>GIC</u>
1. \$5	1. \$10
2. \$10	2. \$20
3. \$15	3. \$30

- www.mass.gov/eoaf
- www.mass.gov/gic
- MunicipalHealth@state.ma.us