



# CITY OF SOMERVILLE, MASSACHUSETTS

## CLERK OF COMMITTEES

July 21, 2011

### REPORT OF THE FINANCE COMMITTEE

| Attendee Name        | Title                           | Status  | Arrived |
|----------------------|---------------------------------|---------|---------|
| Maryann M. Heuston   | Chair                           | Present |         |
| William A. White Jr. | Vice Chair                      | Present |         |
| John M Connolly      | Alderman At Large               | Absent  |         |
| Rebekah Gewirtz      | Ward Six Alderman               | Present |         |
| Thomas F. Taylor     | Ward Three Alderman             | Absent  |         |
| Bruce M. Desmond     | Alderman At Large               | Present |         |
| Matt Buckley         | Acting Director of Personnel    | Present |         |
| Pat Haraden          | Consultant, Longfellow Benefits | Present |         |

#### **191787 - Requesting to amend the city's health insurance benefits by transferring to the Group Insurance Commission (GIC):**

Mr. Buckley and Mr. Haraden explained the proposal before the committee. At the present time, Somerville's health plans are self-insured with Blue Cross/Blue Shield, Tufts and Harvard Pilgrim. Eight different plans are offered, providing health insurance coverage to 2,779 city employees. Projections indicate that the cost for prescription drugs will increase 9% - 12% in 2012 and premiums for HMO's, PPO/POS's will increase 11% - 17%.

State legislation was passed that allows the city to transfer to the Group Insurance Commission (GIC), (or to make changes to cost sharing plan design features that are no greater than those in the GIC plan with the highest subscriber enrollment), with approval from the Board of Aldermen. The city would be required to calculate and discuss the first 12 months' savings with the Insurance Advisory Committee (IAC) and then meet with the Public Employee Committee (PEC) to provide a description of the proposed changes, an estimate of the first year's savings, (which must be 5% greater than plan design changes), and a proposal to mitigate or cap the impact of the proposed changes. A capped amount of 25% of the City's first year's savings will go towards subscriber mitigation.

The PEC and the City then have 30 days to negotiate, with employee contributions still being subject to collective bargaining. If an agreement cannot be reached by that time, a three member panel will issue a binding decision within 10 days. The panel would be comprised of 1 member appointed by the City, 1 member appointed by the PEC and 1 member selected by both parties (or by Administration and Finance if a selection cannot be agreed upon in 3 days).

Provisions in the State's FY-12 budget allow the City to offer a healthcare Flexible Spending Account (FSA) and a Health Reimbursement Arrangement (HRA) to employees. The City could enter into the GIC as early as January 1, 2012 and in order to do so, it is required that all employees and retirees be transferred for a minimum three year commitment. No changes can be made to retiree contributions until July 1, 2014.

Chairman Heuston requested that the following information be provided to the committee:

- the names of the union members on the PEC,
- the names of the members of the IAC,
- the amount of the savings to the City and to individual subscribers and
- a listing of Tiers, by hospital and provider.

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| <b>RESULT:</b> <b>KEPT IN COMMITTEE</b> |
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