



CITY OF BOSTON
OFFICE OF ADMINISTRATION & FINANCE

June 30, 2014

Secretary Glen Shor
Executive Office of Administration and Finance
State House, Room 373
Boston, MA 02133

Via email to: MunicipalHealth@state.ma.us
RE: Annual Report Pursuant to 801 CMR 57.07(2)

Dear Secretary Shor,

The City of Boston did not use the new municipal health reform process M.G.L. c. 32B, Sections 21-23 in fiscal year 2014 (July 1, 2013 – June 30, 2014) to make changes in health insurance. However, the City continued to implement a landmark cost containment agreement with all of its public employee unions in accordance with M.G.L. c. 32B, Section 19.

On April 14, 2011 the City of Boston and the Public Employee Committee (PEC) reached a four (4) year agreement regarding municipal health insurance (herein after referred to as “the PEC Agreement”). The PEC Agreement went into effect on July 1, 2011 and will expire on June 30, 2015. The City anticipates its total health insurance budget will be \$58.5 million less over the four years as a result of the agreement.

The PEC agreement allowed the City to implement the following cost containment measures:

Effective July 1, 2011:

- Increase the employee premium contribution for all health plans by 1.25%
- Eliminate the Blue Cross Blue Shield Master Medical indemnity product for retirees and replace with a managed care product (the City had previously eliminated the product for active employees)

Effective July 1, 2012:

- Increase the employee premium contribution for all health plans by an additional 1.25%
- Increase the office visit and specialist co-payment
- Increase the pharmaceuticals co-payments at all three (3) tiers
- Increase the emergency room co-payment from \$30 to \$100

MARTIN J. WALSH, MAYOR
ONE CITY HALL PLAZA, BOSTON, MASSACHUSETTS 02201

Effective July 1, 2015:

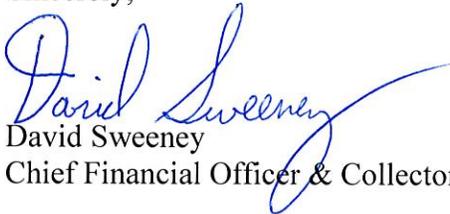
- Increase the retiree contribution to Medicare Supplement Plans by 1%.

In exchange for these changes, the City agreed to make no additional plan design or employee premium contribution changes until after the expiration of the PEC Agreement on June 30, 2015. The City estimates it saved \$16.7 million in FY14, representing roughly 62% of maximum total savings potentially available if the new reform had been implemented to the fullest extent possible. Please find attached documents detailing the City's plans, enrollment, and estimated savings from the PEC Agreement.

Since the time that the parties reached this agreement, the PEC has continued to work with the City in a constructive and responsible manner. Each year, the PEC and the City have worked together to implement other savings including plan design changes to a Medicare plan and self-insurance of additional plans. Currently the PEC and the City are working together toward additional savings through an RFP process.

Please feel free to contact me if you require any additional information.

Sincerely,

A handwritten signature in blue ink that reads "David Sweeney". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

David Sweeney
Chief Financial Officer & Collector-Treasurer

Health Plan Documentation - Annual Report Pursuant to 801 CMR 57.07(2)

City of Boston

June 30, 2014

Premium Cost	FY14	
	Employer Cost	Employee Cost
PEC Agreement Plans	\$ 244,212,994	\$ 57,294,894
No Agreement Plans	\$ 260,941,599	\$ 51,570,866
Premium Impact	\$ (16,728,605)	\$ 5,724,028
Est. Co-Pay Increase (1)		\$ 7,066,999
Total Impact	\$ (16,728,605)	\$ 12,791,026

(1) Estimated out-of-pocket copay increase based on utilization of services 7/1/2012 through 6/30/2013 by City of Boston Harvard Pilgrim Health Care Plans.

Health Plan Documentation - Annual Report Pursuant to 801 CMR 57.07(2)
City of Boston
June 30, 2014

Plan Name	FY14 Enrollment	No Agreement Plans				FY14 PEC Agreement Plans					
		Total Annual FY14 Premium Cost (1)	% Share	Employer \$ Cost	Employee % Share \$ Cost	Total Annual FY14 Premium Cost	% Share	Employer \$ Cost	Employee % Share \$ Cost		
Blue Care Elect Ind	935	\$ 12,376,232	75%	\$ 9,282,174	25%	\$ 3,094,058	\$ 12,128,708	72.5%	\$ 8,793,313	27.5%	\$ 3,335,395
Blue Care Elect Fam	286	\$ 8,782,768	75%	\$ 6,587,076	25%	\$ 2,195,692	\$ 8,607,113	72.5%	\$ 6,240,157	27.5%	\$ 2,366,956
Blue Choice Ind	510	\$ 5,033,813	75%	\$ 3,775,360	25%	\$ 1,258,453	\$ 4,756,954	72.5%	\$ 3,448,791	27.5%	\$ 1,308,162
Blue Choice Fam	378	\$ 9,625,872	75%	\$ 7,219,404	25%	\$ 2,406,468	\$ 9,096,449	72.5%	\$ 6,594,926	27.5%	\$ 2,501,523
Harvard POS Ind	769	\$ 6,973,171	80%	\$ 5,578,537	20%	\$ 1,394,634	\$ 6,722,137	77.5%	\$ 5,209,656	22.5%	\$ 1,512,481
Harvard POS Fam	626	\$ 15,269,387	80%	\$ 12,215,509	20%	\$ 3,053,877	\$ 14,719,689	77.5%	\$ 11,407,759	22.5%	\$ 3,311,930
Harvard HMO/BMC Ind	6,264	\$ 53,265,573	85%	\$ 45,275,737	15%	\$ 7,989,836	\$ 51,348,012	82.5%	\$ 42,362,110	17.5%	\$ 8,985,902
Harvard HMO/BMC Fam	7,635	\$ 174,633,993	85%	\$ 148,438,894	15%	\$ 26,195,099	\$ 168,347,169	82.5%	\$ 138,886,414	17.5%	\$ 29,460,755
NHP Ind	981	\$ 7,263,603	85%	\$ 6,174,062	15%	\$ 1,089,540	\$ 7,052,958	82.5%	\$ 5,818,691	17.5%	\$ 1,234,268
NHP Fam	983	\$ 19,288,053	85%	\$ 16,394,845	15%	\$ 2,893,208	\$ 18,728,700	82.5%	\$ 15,451,177	17.5%	\$ 3,277,522
Total Annual Costs, All Plans	19,367	\$ 312,512,465		\$ 260,941,599		\$ 51,570,866	\$ 301,507,888		\$ 244,212,994		\$ 57,294,894

(1) Premium cost under "No Agreement" was estimated using FY13 Plan Design Adjustment Factors provided by each health plan.