JAMES J. FIORENTINI
MAYOR

CITY OF HAVERHILL
MASSACHUSETTS

CITY HALL, ROOM 100
FOUR SUMMER STREET
HAVERHILL, MA 01830
PHONE 978-374-2300
FAX 978-373-7544
WWW.CI.HAVERHILL.MA.US

April 26, 2012

City Council President John Michitson
& Members of the City Council

RE: Permission to address Council

Dear Mr. President and City Council Members:

Pat Haraden of Longfellow Benefits and I wish to address the City Council on Tuesday regarding the new health care plan just negotiated with the Public Employee Committee (PEC).

Attached is a copy of the agreement and a copy of the health plan.

Very truly yours,

James J. Fiorentini
Mayor

JJF/lk

Encl.

JAMES J. FIORENTINI
MAYOR

April 28, 2012

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MASSACHUSETTS

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City Council President John Michitson and
Members of the Haverhill City Council

RE: New Health Care Plan

Dear President Michitson and City Council Members:

I'm pleased to announce that on Wednesday evening we reached an agreement with the Public Employee Committee (PEC). This new plan will affect all non-union employees and all employees who are currently out of contract.

This new plan will save the City of Haverhill $1.1 million per year. Some school groups who were contractually placed in the Value Option Plan will be placed in this new plan effective July 1, 2014.

I am attaching a copy of the agreement signed between the City and the PEC. You will note that all of the unions signed the agreement.

I am also attaching a copy of the actual plan. As you will note, it provides for deductibles for the first time. For those currently in the value plan, it has slightly increased co-pays.

As I promised when I proposed this, this plan has lower co-pays and lower deductibles than the comparable GIC plan which is currently available to state employees. As I promised, we have going out of our way to protect retirees both in the plan and in the mitigation agreement.

By state law, we are required to provide up to 25% of the savings to benefit our employees and retirees. We have done that. Our mitigation plan protects retirees, low-income users, and those who are very ill.

Copies of the agreements signed by the PEC and copies of the actual plan are attached.

I will be before the City Council Tuesday night along with our health care consultant to discuss this further.

Very truly yours,

James J. Fiorentini, Mayor

JJF/lk
Encl.

MEMORANDUM OF AGREEMENT

BETWEEN

THE CITY OF HAVERHILL
AND
THE M.G.L. c. 32B, §§21-23 HAVERHILL PUBLIC EMPLOYEE COMMITTEE

TO PROVIDE HEALTH INSURANCE THROUGH
A GROUP INSURANCE COMMISSION LIKE PLAN
PURSUANT TO M.G.L. c. 32B, §§21-23

WHEREAS, the City of Haverhill, including Haverhill Public Schools ("City"), currently provides health insurance benefits to its subscribers pursuant to M.G.L. c. 32B, but not including M.G.L. c. 32B, §§21 through 23; and

WHEREAS, the City, by a vote of its City Council on November 29, 2011, elected to change health insurance benefits under M.G.L. c. 32B, §§21 through 23, as amended by Chapter 69 of the Acts of 2011, for the purpose of implementing changes in health insurance benefits it provides to its subscribers, including achieving savings by way of the implementation of a new plan more comparable to the most-subscribed plan design features for the same or most similar benefits offered by the Commonwealth's Group Insurance Commission ("GIC");

WHEREAS, the City and the Public Employee Committee ("PEC") are entering into this written agreement to implement changes to health insurance benefits to its subscribers pursuant to M.G.L. c. 32B, §22 effective July 1, 2012;

NOW THEREFORE, the City and the PEC agree as follows:

1. **Effective Date and Duration of Agreement**

The Agreement shall take effect on the date the City and the PEC execute the Agreement with the changes in health insurance benefits to be effective July 1, 2012 for all employees and retirees, unless otherwise provided for by current collective bargaining agreements and applicable law. Any school department employee groups for whom said health insurance benefits shall not be effective on July 1, 2012, shall commence said health insurance benefits effective on July 1, 2014. The health insurance benefits provided shall remain in effect until changed pursuant to M.G.L. c. 32B, §§21 through 23 or any other manner provided for by law.

2. **Health Insurance Benefits Plan to be Effective July 1, 2012**

The "Benefit Comparison", attached hereto and incorporated herein as Exhibit A, is a

detailed breakdown of the deductible and co-payments/covered services to be incorporated in the health insurance benefits for the HMO, PPO and Medex plans to be effective July 1, 2012.

The Health Reimbursement Arrangements (HRA) available to those subscribers in the current Value plan shall only remain available to those subscribers who continue to be enrolled in the current Value plan after July 1, 2012, and, only through June 30, 2014 at which time the Value plan HRA shall not be provided to any subscriber. The current Value plan will no longer be offered to any subscriber after June 30, 2014.

3. Mitigation

The City will commit the sum of $843,000.00, which represents 25% of the first year (12 months) estimated savings from changing plan designs, to the mitigation plan. $174,000.00 of said mitigation funds shall be segregated for utilization by those subscribers who will remain in the Value plan after July 1, 2012 and are to be transferred to this new plan on July 1, 2014. The total amount of all mitigation proposals will be limited to 25% of the first year (12 months) estimated savings as detailed above.

4. Mitigation for Medicare Eligible Retirees

The City shall provide a Medicare Part B premium subsidy payment in the amount of $100 for each Medicare eligible retiree. This subsidy payment will be paid twice in FY 2013. Based on the current enrollment of 1,165 Medicare retirees, this mitigation projected total is $233,000. The subsidy would be payable in September of 2012 and June of 2013 to those retirees enrolled in the plans as of July 1, 2012 (for September payment) and April 1, 2013 (for June payment).

5. Mitigation for Non-Medicare Eligible Retirees who are Age 65 and Over

The City shall establish a Health Reimbursement Arrangement (HRA) for non-Medicare eligible Retirees who are age 65 and over that would reimburse subscribers for the annual deductible required under the plan in which they are enrolled. Based on the current enrollment of 63 retirees, the projected total cost for this mitigation is $20,000.

6. Mitigation for Low Income Subscribers

The City shall establish a Health Reimbursement Arrangement (HRA) for low income active employees and non-Medicare retirees that will reimburse subscribers for the annual deductible required under the health plan in which they are enrolled, as well as any individual co-payment that exceeds $100. An explanation of benefits (EOB) from the health plan indicating that a deductible has been applied or a co-payment was required will be required for reimbursement from the HRA vendor. Eligibility for reimbursement shall be limited to those subscribers with an annual household income, calculated based on the prior calendar year, at or below 150% of the Federal Poverty Level (FPL), based on the most recent published FPL table.

7. Mitigation for Subscribers with High Out of Pocket Health Care Costs

The City shall establish a Health Reimbursement Arrangement (HRA) for active employees and non-Medicare retirees that will reimburse subscribers for Outpatient Surgery Co-payments, High Tech Imaging Co-payments, and Inpatient Co-payments as required under the health plan in which they are enrolled, once their combined total out of pocket costs for their deductible and individual co-payments over $100, plus prescription drug co-payments, reach $1,250 per individual and $2,500 per family in a plan year, that have not been previously reimbursed by another HRA. An explanation of benefits (EOB) from the health plan indicating that a co-payment has been applied to a claim will be required for reimbursement.

8. Wellness Mitigation

The City shall allocate $5,000 of the proposed mitigation monies to a wellness program for the benefit of all City employees and retirees. The final design shall be determined by the PEC and Blue Cross Blue Shield or the selected wellness vendor, in consultation with the Insurance Advisory Committee (IAC).

9. Other Mitigation Provisions

The maximum amount of the HRAs for both low income and high out of pocket cost subscribers is limited to 25% of the first year (12 month) estimated savings, less the actual Medicare and Non-Medicare eligible retiree mitigation, less the wellness mitigation, less any amounts allocated to the employees who will be transferred to the new plans on July 1, 2014. The HRAs will be effective until the maximum amount is reimbursed (or claims have been submitted up to the maximum amount), and claims will be paid on an as submitted basis as determined by the Third Party Administrator. A statement of the mitigation fund balance will be provided to the PEC and/or IAC monthly. The cost of administering the Mitigation Plan, including HRA administration, will be paid by the City, and not deducted from the mitigation fund or the Health and Life Insurance Trust Fund.

The final design of the HRA(s) is subject to approval by the HRA administrator, solely to determine if its claims processing system can administer the HRA(s) as intended.

Any mitigation funds not expended within the first year of availability, whether for those whose coverage commences July 1, 2012 or July 1, 2014 as the case may be, shall continue to be paid until the maximum amount of mitigation money agreed to herein is expended. The City at no time shall be liable to expend monies for mitigation in excess of 25% of the first year (12 month) estimated savings.

10. Additional Benefits

Flexible Spending Account - The City will provide to active employees a flexible spending account program pursuant to IRS Section 125. The maximum annual allowable amount to be deducted on a pre-tax basis will be $2,500.00. The City shall pay any administrative fees for subscribers who participate in this program.

Opt Out Plan - The City will provide a health insurance opt out option to employees and retirees. Eligible employees and retirees who enroll in the program will receive a lump sum financial incentive payment. The amount will be $1,500 for an individual and $3,000 for a family. In order to be eligible for the program an employee must meet the following criteria: 1) the employee or retiree must have 24 consecutive months of enrollment in a City of Haverhill health plan, and 2) the employee must provide written proof of other (non-City of Haverhill) health coverage.

11. Severability Clause

If any provision or portion of this Agreement is found to be unenforceable or unlawful, the remaining provisions or portions shall remain binding.

12. Scope

This Agreement shall constitute the whole of the Agreement between the City and the PEC. The Agreement may be modified only by a writing signed by the City and the PEC.

13. Authorization to Sign Agreement

Each signatory to this Agreement is authorized to bind the entity he/she represents. The PEC represents that it has the authorization and approval of a majority of the weighted votes of the PEC and that this Agreement is binding on all subscribers and their representatives.

DATE: April 25 , 2012

The City of Haverhill
by its Mayor

James J. Fiorentini

Approved as to legality:

City Solicitor

Public Employees Committee:

Teamsters' Engineering Group
by its PEC representative

AFSCME Wastewater Group
by its PEC representative

Teamsters' Dog Officer, Conservation Officer, Building Custodian Group
by its PEC representative

Teamsters' Water/Wastewater Technical Group
by its PEC representative

Teamsters' Water Group
by its PEC representative

Teamsters' Highway/Park Group
by its PEC representative

SEIU HPS Cafeteria Group
by its PEC representative

SEIU HPS Custodians Group
by its PEC representative

Teamsters' Water Purification Group
by its PEC representative

Teamsters' Clerical Group
by its PEC representative

HEA Teachers Group
by its PEC representative

HEA Clerical Group
by its PEC representative

IAFF Local 1011 Firefighters
by its PEC representative

Teamsters' Library Group
by its PEC representative

Teamsters' Citizens Center Group
by its PEC representative

HPS Administrators Group
by its PEC representative

Haverhill Police Patrolmen's Group
by its PEC representative

SEIU Transportation Group
by its PEC representative

COH and HPS Retirees
by its PEC representative

Teamsters Health & Inspectional
Services Group
by its PEC representative

HEA ESP Group
by its PEC representative

Haverhill Nurses Association
by its PEC representative

Haverhill Police Superiors Group
by its PEC representative

MED-EX

City of Haverhill

4/23/2012

	Proposed Plan 7/1/2012
Office Visits	$0
Emergency Room	$0
Inpatient Hospitalization	$0
Outpatient Surgery	$0
Retail Prescription Drugs (30-Day Supply)	No Deducitble
Generics	$10
Brand-Name	$25
Non-Preferred	$40
Mail Order Prescription Drugs (90-Day Supply)	
Generics	$20
Brand-Name	$50
Non-Preferred	$80

Note: Benefits subject to Medicare rules and restrictions and benefit limitations and exclusions

CITY OF HAVERHILL - APRIL 25, 2012

New Plans for July 1, 2012

BENEFIT	HMO Plan IN-NETWORK	PPO Plan IN-NETWORK	PPO Plan OUT-OF-NETWORK
Deductible - Plan Year (see details for applicability - copays do not count toward deductible)	$200 per member $600 per family	$200 per member $600 per family	
Out of Pocket Maximum (Includes Deductible, coinsurance, copays over $100, not including Rx)	$2,000 per member $4,000 per family	$2,000 per member $4,000 per family	
Other Plan Limitations	**Inpatient Copayments** Up to $1,000 per member per plan year **Outpatient Surgery Copayments** up to $600 per member per plan year	**Inpatient Copayments** Up to $1,000 per member per plan year **Outpatient Surgery Copayments** up to $600 per member per plan year	
Lifetime Benefit Maximum	None	None	None
INPATIENT	**YOU PAY**	**YOU PAY**	**YOU PAY**
General Hospital (semi-private room and board and special services)	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*
Skilled Nursing Facility	Nothing after deductible (up to 100 days per calendar yr)	Nothing after deductible (up to 100 days per calendar yr)	20% coinsurance* to 100 days per calendar year benefit maximum combined with in-network days
Rehabilitation Hospital	Nothing after deductible (up to 60 days per calendar yr)	Nothing after deductible (up to 60 days per calendar yr)	20% coinsurance* to 60 days per calendar year benefit maximum combined with in-network days
OUTPATIENT HOSPITAL	**YOU PAY**	**YOU PAY**	**YOU PAY**
Emergency Room Visits for Emergency or Accident Care	$100 per visit after deductible (waived if admitted)	$100 per visit after deductible (waived if admitted)	$100 per visit after deductible (waived if admitted)
Surgery	$150 per visit after deductible	$150 per visit after deductible	20% coinsurance*

CITY OF HAVERHILL - APRIL 25, 2012 New Plans for July 1, 2012

BENEFIT	HMO Plan IN-NETWORK	PPO Plan IN-NETWORK	PPO Plan OUT-OF-NETWORK
Radiation and Chemotherapy	Nothing after deductible	Nothing after deductible	20% coinsurance*
Diagnostic X-ray and Lab	Nothing after deductible	Nothing after deductible	20% coinsurance*
CT Scans, MRIs, PET scans, and nuclear cardiac imaging tests	$75 per date of service after deductible	$75 per date of service after deductible	20% coinsurance*
Physical Therapy	$20 per visit (up to 60 visits per calendar yr)	$20 per visit (up to 60 visits per calendar yr)	20% coinsurance* (up to 60 visits per calendar yr) benefit maximum combined with in-network visits
PHYSICIAN'S OFFICE	YOU PAY	YOU PAY	YOU PAY
Surgery	$20 per visit	$20 per visit	20% coinsurance*
Medical Care	$20 per visit	$20 per visit	20% coinsurance*
Routine OB/GYN Exam	Nothing	Nothing	20% coinsurance*
Well Child Care	Nothing	Nothing	20% coinsurance*
Chiropractor Visits	All charges	$20 per visit	20% coinsurance*
Routine Vision Exam	Nothing (1 visit per calendar year)	Nothing (1 visit every 24 months)	20% coinsurance*
Preventive Care (see list for Preventive Services)	Nothing	Nothing	20% coinsurance*
MENTAL HEALTH	YOU PAY	YOU PAY	YOU PAY
BIOLOGICALLY-BASED CONDITIONS+			
- Inpatient admissions in a general or mental hospital	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*
- Outpatient visits	$20 per visit	$20 per visit	20% coinsurance*
NON-BIOLOGICALLY-BASED MENTAL CONDITIONS (Includes drug addiction and alcoholism)			
- Inpatient admissions in a general hospital	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*

CITY OF HAVERHILL - APRIL 25, 2012

New Plans for July 1, 2012

BENEFIT	HMO Plan IN-NETWORK	PPO Plan IN-NETWORK	PPO Plan OUT-OF-NETWORK
- Inpatient admissions in a mental hospital or substance abuse treatment facility	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*
- Outpatient visits	$20 per visit	$20 per visit	20% coinsurance*
ALCOHOLISM TREATMENT (IN ADDITION TO NON-BIOLOGICALLY BASED MENTAL CONDITIONS)			
- Inpatient admissions in a general hospital	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*
- Inpatient admissions in a substance abuse treatment facility	$250/$500 per admission after deductible	$250/$500 per admission after deductible	20% coinsurance*
- Outpatient visits	$20 per visit	$20 per visit	20% coinsurance*
OTHER OUTPATIENT	YOU PAY	YOU PAY	YOU PAY
Visiting Nurse Home Health Care	Nothing after deductible	Nothing after deductible	20% coinsurance*
Prosthetic Devices	20% coinsurance after deductible	20% coinsurance after deductible	40% coinsurance*
Durable Medical Equipment	20% coinsurance after deductible	20% coinsurance after deductible	40% coinsurance*
Ambulance	Nothing after deductible	Nothing after deductible	Nothing for accident or emergency after deductible 20% coinsurance* other medically necessary transport
Routine Pediatric Dental (through age 11)	Nothing (one routine exam & cleaning every 6 months)	All charges	All charges
Prescription Drugs	$10 for each generic (Tier 1) $25 for preferred brand name (Tier 2) $50 for each non-preferred (Tier 3)	$10 for each generic (Tier 1) $25 for preferred brand name (Tier 2) $50 for each non-preferred (Tier 3)	Same as In-Network at retail pharmacies outside of Massachusetts

CITY OF HAVERHILL - APRIL 25, 2012

New Plans for July 1, 2012

BENEFIT	HMO Plan IN-NETWORK	PPO Plan IN-NETWORK	PPO Plan OUT-OF-NETWORK
	(up to a 30-day formulary supply for each prescription or refill) $20 for each generic (Tier 1) $50 for preferred brand name (Tier 2) $110 for each non-preferred (Tier 3) (up to a 90-day formulary supply for each prescription or refill)	(up to a 30-day formulary supply for each prescription or refill) $20 for each generic (Tier 1) $50 for preferred brand name (Tier 2) $110 for each non-preferred (Tier 3) (up to a 90-day formulary supply for each prescription or refill)	

Other Benefits	
www.livinghealthybabies.com	No Charge
Fitness Benefit	$150 per year, per individual/family
Weight Loss Program Reimbursement	$150 per year, per individual/family
Blue Care Line	No Charge
Living Healthy Vision Discount	Discount Varies
Safe Beginnings Discounts	Discount Varies
Living Healthy Naturally Discounts	Discount Varies
www.AHealthyMe.com	No Charge

*After deductible

Co Insurance - the percentage of the charges that are the member's responsibility

These pages summarize benefits of the plan(s). The Subscriber Certificate(s) and applicable riders define the terms and conditions of these benefits in greater detail. Should any questions arise, the certificate(s) and riders will govern.