

**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
THE GROUP INSURANCE COMMISSION PURSUANT TO M.G.L. c. 32B, §§ 21/23**

(July 1, 2017 through June 30, 2020)

WHEREAS, the City of Haverhill, including the 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 transferring said subscribers to the Commonwealth’s Group Insurance Commission (“GIC”) pursuant to M.G.L. c. 32B, §23;

WHEREAS, the City thereafter requested the formation of a Public Employee Committee (“PEC”) pursuant to 801 CMR 52.02;

WHEREAS, a PEC was formed and the City delivered its 801 CMR 52.03 notice to the PEC representatives and

WHEREAS, both the City, through its Mayor, and the Public Employee Committee (“PEC”) engaged in negotiations in good faith and, as a result of those negotiations, are entering into this written agreement to transfer the City’s subscribers to the GIC pursuant to M.G.L. c. 32B, §23 effective July 1, 2017 through, at a minimum, June 30, 2020 (“2017-2020 Agreement”);

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

Effective Date of Agreement

1. This 2017-2020 Agreement shall take effect on the date the City and the PEC execute the 2017-2020 Agreement.

Purpose of Agreement

2. The purpose of this 2017-2020 Agreement is to implement changes in health insurance benefits by transferring subscribers to the GIC pursuant to M.G.L. c. 32B, § 23. Accordingly, the PEC agrees that the City may transfer subscribers to the GIC pursuant to M.G.L. c. 32B, § 23.

Transfer to the GIC

3. Effective July 1, 2017 subscribers shall be transferred to the GIC and the City will no longer offer subscribers the City's current health insurance plans through MIIA/BCBS. It is understood between the parties that the GIC shall make all determinations as to eligibility in accordance with their regulations.
4. Pursuant to Section 7 of Chapter 69 of the Acts of 2011 the initial contribution ratio shall be the contribution ratios in existence for each class of plan for each collective bargaining unit as of the effective date of this 2017-2020 Agreement. A listing of each collective bargaining/retiree group and the rates to be effective from July 1, 2017 through June 30, 2020 is attached hereto as Attachment A. Nothing contained herein shall preclude the City from changing the contribution rates to be charged by way of a collective bargaining agreement, or as otherwise allowed by law. No retiree shall pay a contribution rate in excess of 25%.
5. For purposes of this Agreement, the term "subscribers" shall mean all employees, retirees, surviving spouses and dependent currently eligible for and receiving health insurance through the City of HAVERHILL, and any employees, retirees, surviving spouses and dependents who become eligible in the future.
6. The City will take all necessary and reasonable actions to effectuate the transfer of subscribers to the GIC effective July 1, 2017 and to maintain coverage thereafter for the duration of this 2017-2020 Agreement, including but not limited to providing notice to the Secretary of Administration and Finance by sending a copy of this 2017-2020 Agreement within three (3) business days of its ratification by the City and the PEC. The health insurance review panel will be notified that there is no need for its services.
7. As required by 801 CMR 52.04 a copy of the same information required for the City's proposal under 801 CMR 52.03 accompanies this 2017-2020 Agreement as Attachment A.
8. It is further agreed that the provisions of this 2017-2020 Agreement shall supersede any contrary provisions in any collective bargaining agreement and that all references to co-payments or other cost-sharing features in all collective bargaining agreements (whether executed before or after the ratification of this 2017-2020 Agreement) shall be null and void and shall be considered physically removed from such collective bargaining agreements, effective July 1, 2017.

Notification

9. Subscribers shall be provided with at least 60 days advance notice of the transfer to the GIC pursuant to 801 CMR 52.04(5), (6) and (7), which notice shall include information about the Commission plans, the enrollment process, and any other information specified by the Commission in 805 CMR 8.00.

Mitigation Plan

10. The City will place \$750,000 of the first year projected savings from transferring subscribers to the Group Insurance Commission into a mitigation fund. From this fund the City will pay the following:

The City will continue its Health Reimbursement Arrangement (HRA) for non-Medicare retirees who are over age 65 that will reimburse 100% of the in-network deductibles under the lowest deductible wide network plan offered.

The City will establish an HRA that will:

- Reimburse the Inpatient co-payment amount over \$700 (the current inpatient co-payment) for Tier 3 Hospitals. *For example if the Tier 3 hospital co-payment is \$1,500, the HRA would reimburse \$800 (\$1,500-\$700).*
- Reimburse 100% of the inpatient co-payment at Holy Family Hospital in Haverhill or Methuen under any eligible plan.
- Reimburse 100% of a member's in network out of pocket costs (i.e., co-payments, deductibles, coinsurance, but not premiums) that exceed \$2,000 in a plan year (7/1-6/30) for those members enrolled in the lowest deductible wide network or limited network plans offered. Any amounts that are reimbursable under an HRA(s) would not count toward the out of pocket maximum limit.
- Reimburse 100% of a member's in network deductible that exceeds \$300 (Single) and \$900 (Family) in a plan year (7/1-6/30) for those members enrolled in the lowest deductible wide network or limited network plans offered.
- "Hiatus Period" or Waiting Period under the GIC:

Option A – Apply for retroactive coverage from the GIC - If a newly hired subscriber incurs a medical expense(s) during the Hiatus Period that in sum exceeds the full-cost health insurance premium of the GIC selected plan for the Hiatus, the subscriber may file a written request to the Commission for approval of Health Coverage to become effective on the first day of employment. Upon approval by the Commission, coverage shall take effect as of the first day of employment. In this event, the City shall contribute its share of the selected GIC plan premium retroactive to the first day of employment as provided for under the Agreement. The City shall submit the full-cost health insurance premium for the Hiatus Period to the GIC in a timely manner. The Subscriber shall reimburse the City his/her proportional share of the premium for the Hiatus Period through normal payroll deductions.

Option B – Apply for reimbursement for medical expenses - If the qualifying event in the preceding paragraph does not take place and coverage is not applied retroactively to the first day of employment, the City shall reimburse any newly hired subscriber from the mitigation fund on a proportional basis for all uncovered medical expenses incurred during the Hiatus Period. The proportional reimbursement amount shall be determined by the contribution split under the Agreement for the selected GIC plan. Under no circumstances, shall the City's reimbursement exceed what the City would have

contributed to the selected GIC plan during the Hiatus Period.

Any other existing HRA offered by the City would terminate on June 30, 2017.

A third party will administer the HRA on behalf of the City and the administration fee would be paid by the City. Claim forms and documentation is required for reimbursement under the HRA per IRS regulations.

The total amount of the Mitigation fund allocated to the HRA would be \$475,000 and would be expended until exhausted. The Public Employee Committee would receive advance notice when the HRA balance reaches \$25,000.

If on July 1, 2019, the remaining balance in the HRA(s) (that were initially funded with \$475,000 of the Mitigation Fund) is not sufficient to cover the projected claims in the third year (7/1/19 - 6/30/20), based on the previous two years actual experience, then the City shall fund the HRA with an additional amount of money to pay HRA claims up to the higher amount of the actual claims experience of the prior two years.

The balance of the Mitigation fund (\$275,000) would be paid to subscribers enrolled in the plan as of June 30, 2017 and are still active as of September 1, 2020 in September, 2020 based on a 1 (Single) to 2.5 (Family) ratio. The remaining balance can be added to the HRA(s) if the City and the PEC agree prior to June 30, 2020.

The PEC, as currently comprised, may be reconvened at the request of the Mayor or fifty (50%) percent of the PEC membership for the sole purpose of proposing, considering and enacting changes to the above mitigation plan.

The HRAs would not be available to any employee/member enrolled in a High Deductible Health Plan (HDHP) that is Health Savings Account (HSA) eligible, if offered by the GIC as they would be ineligible under federal HSA regulations.

Note: For purposes of this Mitigation Proposal, "wide network" plan means those plans not designated as "limited network" by the GIC.

Additional Benefits

11. Flexible Spending Account - The City will provide to 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 \$2,550.00 or as otherwise allowed by law. 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. Eligible employees 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

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.

Withdrawal From the GIC

12. In accordance with M.G.L. c. 32B, § 23, the City may withdraw subscribers from the GIC after 3 years on an initial term and 2 years on each renewal term thereafter. Should the City decide to withdraw subscribers from the GIC, it shall provide notice of any withdrawal by October 1 of the year prior to the effective date of withdrawal. All withdrawals shall be effective on July 1 following the City's notice to the GIC and the City shall abide by all GIC requirements for effectuating such withdrawal, including the notice requirements. In the event the City withdraws from GIC coverage, such withdrawal shall be binding on all subscribers and the City and public employee unions shall return to governance of negotiations of health insurance under chapter 150E and 32B; provided, however, that the political subdivision may transfer coverage to the commission again after complying with the requirements of subsections (b) to (h), inclusive, of section 21. The City will review the potential for any Affordable Care Act impact in 2020 and will meet with the PEC to discuss prior to the final year of the contract. The provisions of this agreement, including the transfer to the GIC, shall remain in full force and effect until such time as a successor agreement is entered into.

Severability Clause

13. If any provision or portion of this 2017-2020 Agreement is found to be unenforceable or unlawful, the remaining provisions or portions shall remain binding.

Scope & Modification

14. This 2017-2020 Agreement shall constitute the whole of the Agreement between the City and the PEC. The Agreement may be modified only by a written agreement approved in the same manner as the original Agreement.

Authorization to Sign Agreement

15. The PEC signatories to this 2017-2020 Agreement attest to the fact that they are the duly authorized representatives of their respective collective bargaining unit appointed pursuant to the provisions of M.G.L. c. 32B, §21 and affirm that the plan design process has been initiated and fully completed pursuant to M.G.L. c. 32B, §§21-23 and 801 CMR 52.00 et seq. Each signatory to this 2017-2020 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 2017-2020 Agreement is binding on all subscribers and their representatives.

Date: November , 2016

The City of Haverhill
by its Mayor

James J. Fiorentini

Public Employees Committee:

Teamsters' Engineering Group
by its PEC representative

Joseph Degloria

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

Michelle Hamel

Teamsters' Water Group
by its PEC representative

Jay Frasca

Approved as to legality:

William D. Cox, Jr., City Solicitor

AFSCME Wastewater Group
by its PEC representative

Isaiah Lewis

Teamsters' Water/Wastewater Technical
Group
by its PEC representative

John D'Aoust

Teamsters' Highway/Park Group
by its PEC representative

Erik Frasca

SEIU HPS Cafeteria Group
by its PEC representative

Patricia Haney

Teamsters' Water Purification Group
by its PEC representative

Joseph Remmes
HEA Teachers Group
by its PEC representative

Anthony Parolisi

IAFF Local 1011 Firefighters
by its PEC representative

Timothy Carroll

Teamsters' Library Group
by its PEC representative

Gael Nappa

Teamsters' Citizens Center Group
by its PEC representative

Robert Dunford

SEIU HPS Custodians Group
by its PEC representative

Cynthia Goldsborough/Philip Banks

Teamsters' Clerical Group
by its PEC representative

Victoria Ricart
HEA Clerical Group
by its PEC representative

Patricia Macrae

COH and HPS Retirees
by its PEC representative

William Klueber

Teamsters Health & Inspectional
Services Group
by its PEC representative

Francisco Declat

HEA ESP Group
by its PEC representative

Lois Silva

HPS Administrators Group
by its PEC representative

Kevin Higginbottom

Haverhill Police Patrolmen's Group
by its PEC representative

Richard Welch

SEIU Transportation Group
by its PEC representative

Richard Murray

Haverhill Nurses Association
by its PEC representative

Doreen Swartz

Haverhill Police Superiors Group
by its PEC representative

Robert Pistone

ATTACHMENT "A"

Employee/Retiree Contribution Percentages - 7/1/2017

	<u>HMO</u>	<u>PPO</u>	<u>Indemnity</u>
Active Employees Hired Prior to 7/1/2011	25%	25%	25%
Active Employees Hired After 7/1/2011	30%	30%	30%
Retirees Who Retired Prior to 5/1/2008	15%	25%	25%
Retirees Who Retired After 5/1/2008	20%	25%	25%
Active School Administrators and School Nurses Hired Prior to 7/1/2012	25%	25%	25%
Active School Administrators and School Nurses Hired After 7/1/2012	30%	30%	30%
Active School Transportation and Police Employees Hired Prior to 7/1/2013	25%	25%	25%
Active School Transportation and Police Employees Hired After 7/1/2013	30%	30%	30%