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HOUSE . . . . . No. 4313

The Commonwealth of Massachusetts

OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
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GOVERNOR

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March 16, 2018

To the Honorable House of Representatives,

I am filing for your consideration a bill entitled "An Act Providing Affordable Health Insurance Options to Municipal Retirees." The legislation proposes to modernize how the Group Insurance Commission ("GIC") may provide for the health insurance needs of a current membership group consisting of approximately 10,000 retirees, mostly retired teachers, so as to prevent some of these retirees from experiencing steep premium increases.

A key responsibility we share is ensuring that state and municipal employees and retirees, as well as their families, have access to quality and affordable health insurance. The GIC provides health insurance to over 440,000 members, and is therefore the primary agency responsible for these objectives. This year, as the GIC is required to do every five years, the GIC undertook a procurement to secure medical benefits for its members. After its recent benefit plan design and pricing process, the GIC was able to hold aggregate new rates for GIC members in Fiscal Year 2019 to about the same as Fiscal Year 2018. For the majority of the GIC's members, that procurement resulted in very favorable rates for the upcoming plan year (beginning July 1, 2018): For more than 84% of GIC enrollees, premiums will increase by 2% or less, and 50% of enrollees will see a decline in their monthly premiums.

There is, however, a small group of GIC members who may be subject to large premium increases in a group the GIC refers to as "Pool 2," which consists of approximately 10,000 retirees: primarily Retired Municipal Teachers ("RMTs"), as well as approximately 30 Elderly Governmental Retirees ("EGRs"). As a result of legislation enacted more than 40 years ago, the

GIC is statutorily required to pool the EGRs and RMTs separately from active and retired state employees and other municipal participants (i.e., Pool 1). The GIC is also required to offer only fully-insured products to the Pool 2 population. These statutory restrictions mean that EGRs and RMTs – both older populations – can only be pooled with one another, which significantly constrains the GIC's ability to procure for and manage these populations.

These factors, as well as the small size and retiree-only makeup of Pool 2, likely explain why most plans have dropped out of Pool 2 for FY19. Absent legislative change, 955 Pool 2 enrollees will be required to migrate to other plans for the upcoming plan year, and some of these 955 enrollees may face premium increases between 20% and 80%.

The Pool 2 issue was deliberated and discussed at a Commission meeting on February 22, 2018. At that meeting, the Commission members voted to instruct the GIC staff to seek a remedy for Pool 2 members who may face a substantial annual premium increase. The attached legislation addresses the Commission's concerns and proposes to remove these outdated restrictions and prevent potentially significant premium increases in FY19 and future years. The proposed legislation would make three statutory changes.

First, the bill would allow the GIC to consolidate Pool 1 and Pool 2. By consolidating the two pools, Pool 2 would be included in a much larger risk pool. As a result, Pool 2 enrollees will face smaller rate increases now and in the future. Consolidation would also allow almost all Pool 2 members to remain in their current health plans. Consolidation would thus serve both the goals of affordability and plan continuity. In addition, because Pool 2 is such a small population, its merger with Pool 1 would not materially affect Pool 1 premiums.

Second, the bill would allow the GIC to self-insure coverage for the EGRs and RMTs moving forward. Self-insurance has a number of benefits including avoiding extra costs inherent to fully-insured plans, increasing transparency of utilization and costs, and providing the GIC more control over product benefits and design. Pool 1 is also almost entirely self-insured; the GIC would therefore need the ability to self-insure the EGR and RMT membership in order to consolidate the two pools.

Third, because municipalities and regional school districts may now join the GIC pursuant to chapter 32B, the bill would close the RMT program to new municipal and school district entrants, and grandfather in municipalities and school districts already in the program. At the time that Pool 2 was created, there was no other mechanism by which a municipality could join the GIC. Now, however, a municipality that wants to send all its active and retired employees to the GIC for coverage has multiple options for doing so. Membership in the RMT program has been declining for years: 34 municipalities have left the program entirely, and the last municipality or school district to join did so in 1996. There is thus little demand for the program to remain open to new entrants. Current municipal and school district participants in the RMT program, however, could continue to participate.

By making these three updates, this bill would give the GIC the tools to prevent a subset of the Pool 2 population from experiencing significant premium increases.

Respectfully submitted

Charles D. Baker,
Governor

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The Commonwealth of Massachusetts

In the One Hundred and Ninetieth General Court
(2017-2018)

An Act providing affordable health insurance options to municipal retirees.

Whereas, The deferred operation of this act would tend to defeat its purpose, which is to forthwith to provide for the health insurance needs of a group of municipal retirees prior to the open enrollment period that is set to begin on April 1, 2018, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public health and convenience.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 10B of chapter 32A of the General Laws, as appearing in the 2016 Official Edition, is hereby amended by striking out, in line 12, the words “shall be unrelated” and inserting in place thereof the following words:- may be related.

SECTION 2. Said section 10B of said chapter 32A, as so appearing, is hereby further amended by striking out, in line 14, the words “section four” and inserting in place thereof the following words:- sections four, four A and ten C.

SECTION 3. Section 12 of said chapter 32A, as so appearing, is hereby amended by inserting after the words “of this section,” in lines 3 and 4, the following words:- as of April 1, 2018.

SECTION 4. Said section 12 of said chapter 32A, as so appearing, is hereby further amended by striking out, in line 19, the words “shall be unrelated” and inserting in place thereof the following words:- may be related.

SECTION 5. Said section 12 of said chapter 32A, as so appearing, is hereby further amended by inserting after the words “provisions of sections four,” in line 21, the following words:- , four A.

SECTION 6. Said section 12 of said chapter 32A, as so appearing, is hereby further amended by striking out, in line 25, the word “shall” and inserting in place thereof the following word:- may.

SECTION 7. Said section 12 of said chapter 32A, as so appearing, is hereby further amended by striking out, in lines 27 to 32 inclusive, the words, “; provided, however, when deemed advisable by the commission in the interest of attaining a more favorable total monthly cost and overall claim experience, the claim experience of the health insurance coverages provided under this section may be combined with the claim experience of the health insurance coverages provided under section ten B.”

SECTION 8. Said section 12 of said chapter 32A, as so appearing, is hereby further amended by inserting after subsection (f) the following subsection:-

(f½) No political subdivision may accept the provisions of this section after April 1, 2018.