

A photograph of the Boston skyline, including the City Hall tower and other skyscrapers, viewed from a park area with trees and a body of water. The image is overlaid with a semi-transparent blue filter. The text is centered in white.

# City of Boston Fiscal Context and Healthcare Environment

*April 9th, 2019*



# Agenda

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- I. City of Boston Fiscal Context
- II. Healthcare Trends
- III. City of Boston vs. Comparable Municipalities
- IV. City of Boston Savings vs. GIC
- V. Timeline and Next Steps

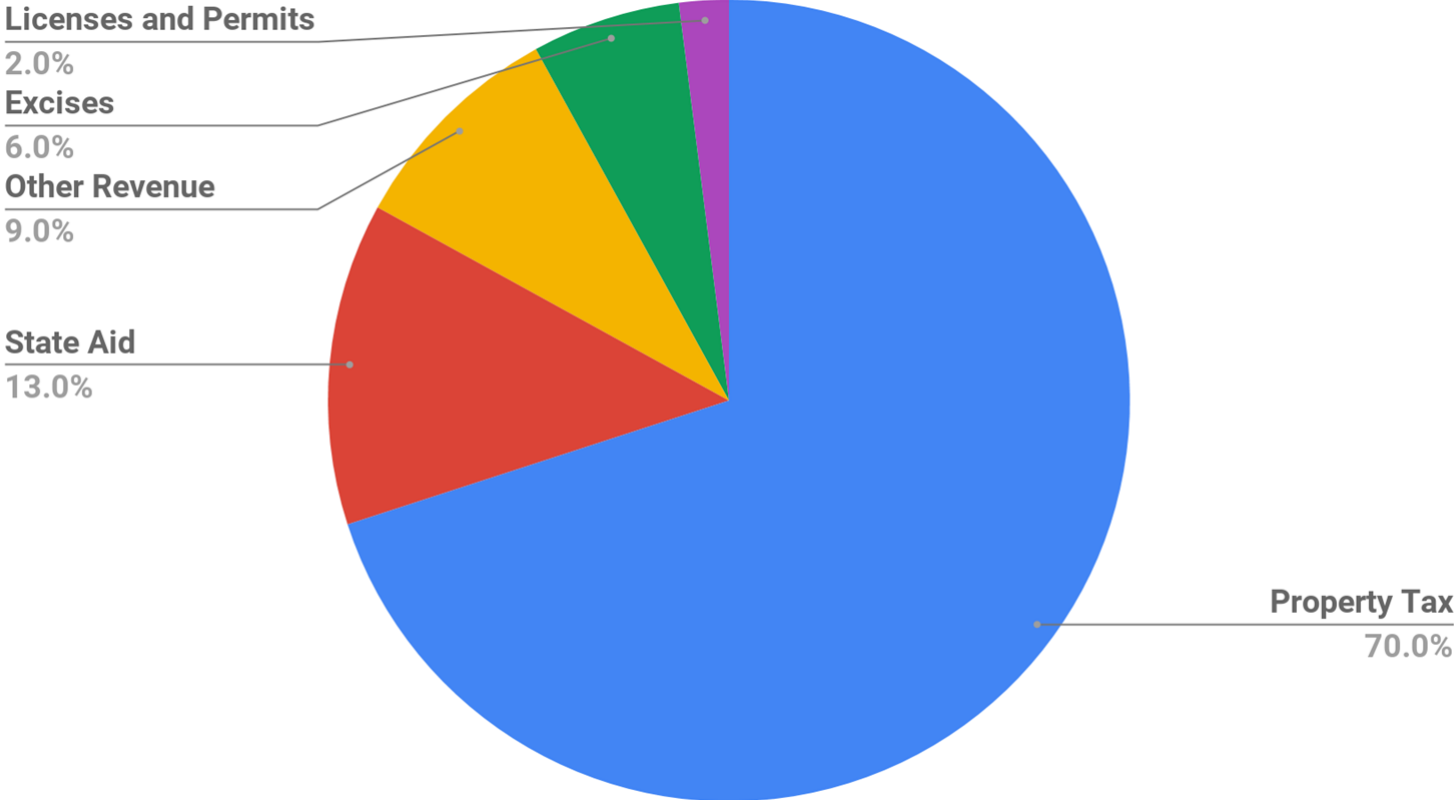
## City of Boston Budget Parameters

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- Under state law, the City must balance its budget every year. The City cannot run a deficit.
- State law also caps the amount that the City can grow its revenue.
- The City's revenue is growing at a slower rate than fixed costs.
- Careful planning and management are vital to weather economic downturns and position the City for future success.

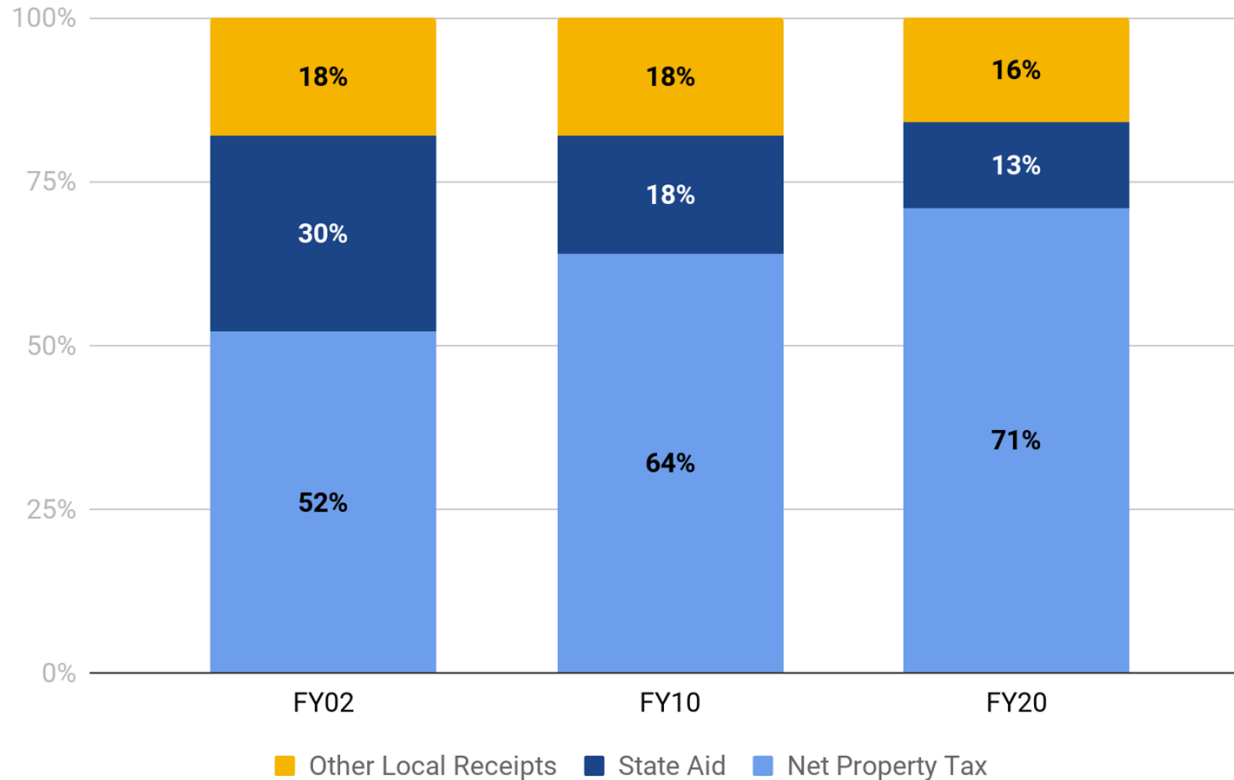
# Property tax makes up 70% of the City's revenue.

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# The City relies heavily on property tax due to decreasing State aid.

City of Boston Revenue Composition



## **Prop 2½ limits the City's control over its largest revenue source.**

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Massachusetts voters passed Prop 2½ by ballot initiative in 1980.

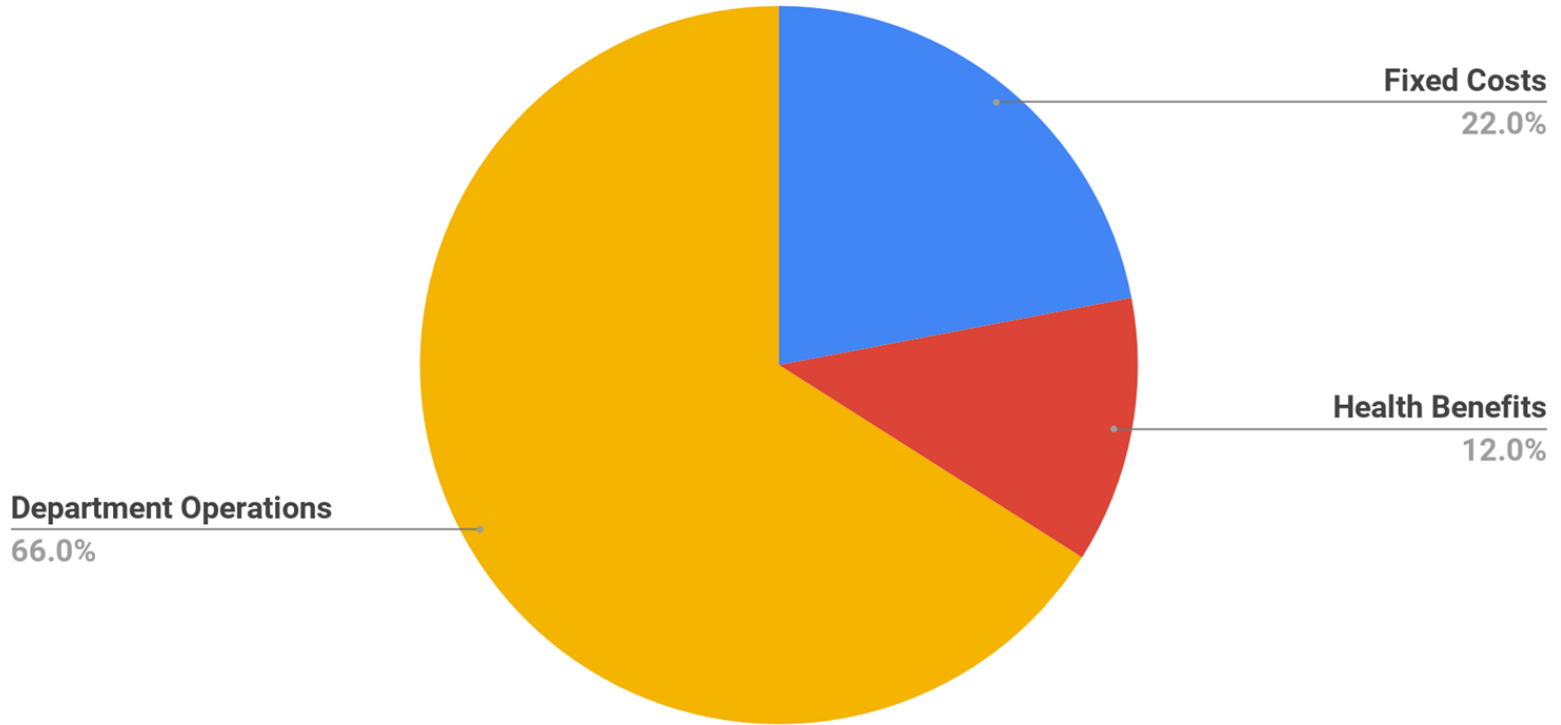
- It caps the amount that the City can grow its tax levy to 2.5% over the previous year's limit.
- It also caps the total tax levy to 2.5% of the total assessed value of property in the City.

Because of Prop 2 ½, the City has only been able to capture half of the growth in property valuation since FY14.

While property values have grown 65% from FY14, property tax revenue has only grown 32%.

# Health care and fixed costs comprise 34% of the FY20 budget.

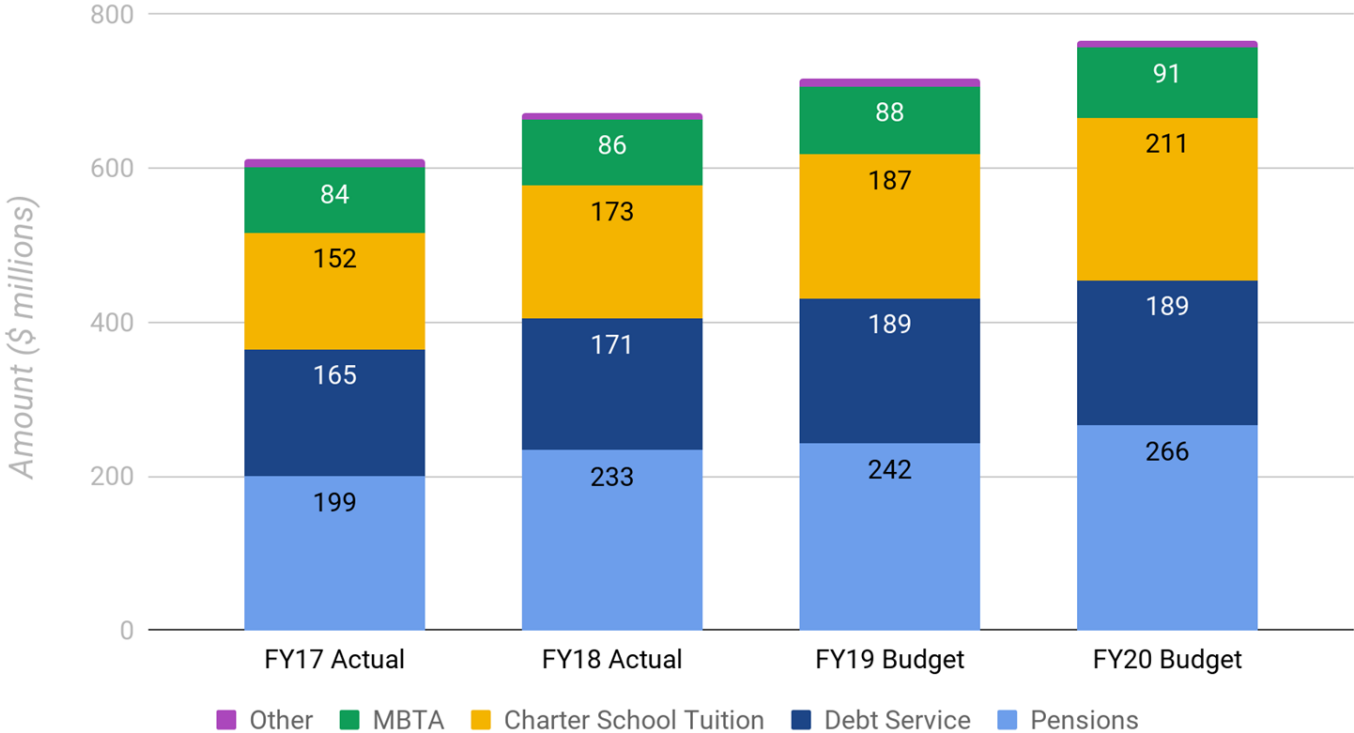
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*\*Health Insurance includes City health benefits expenditures, City Medicare tax contributions, and City contributions to the Other Post Employment Benefits liability.*

# Pension, debt service, and other fixed costs continue to grow.

Growth in Fixed Costs



\*Other includes other state assessments, Suffolk County Sheriff Department, and Reserve.





## **Pension costs continue to increase.**

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Boston's Pension budget is based on the current pension schedule approved by Boston's Retirement Board.

The pension schedule calls for an annual increase on 9.7% per year, over \$23M more per year.

Boston's pension liability is scheduled to be fully funded in FY25. After this, the City plans to redirect a portion of its annual pension contribution to reduce its \$2.4 billion liability for Other Post-Employment Benefits (OPEB), which includes retiree healthcare benefits.

## **These fiscal constraints put pressure on the City to achieve savings.**

The City budget operates within the constraints of:

- The State mandate for a balanced budget
- Restricted revenue growth
- Ever-rising fixed costs

These factors put pressure on the City to find ways to reduce the growth rate of fixed costs.

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## **“Healthcare trend” is a forecast of annual gross per capita claims cost increases.**

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Factors influencing healthcare trend include:

- New treatments, therapies and technology
- Provider cost shifting from reduced CMS payments (Medicaid & Medicare)
- Regulations/mandates
- Provider price increase and CPI
- Increased demand from increased health risks due to aging populations or rise in obesity
- Greater emphasis on detection and diagnostics
- Other factors, including fraud and abuse

# Segal Trend Survey

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- Segal annually surveys managed care organizations (MCOs), health insurers, pharmacy benefit managers (PBMs) and third-party administrators (TPAs).
- More than 100 health insurance organizations participated in the survey, reporting on their large group<sup>1</sup> book-of-business.
- Participants reported on projected 2019 trend forecasts for medical, Rx, dental and vision coverage. They also reported actual allowed health cost trends for 2017 based on their group health plan experience.
- Counts of respondents by coverage category are as follows:

## Medical Plans



23	FFS/Indemnity Plans
32	HDHPs
36	Open-Access PPOs/POS Plans
29	PPOs/POS Plans with Primary Care Physician Gatekeepers
36	HMOs

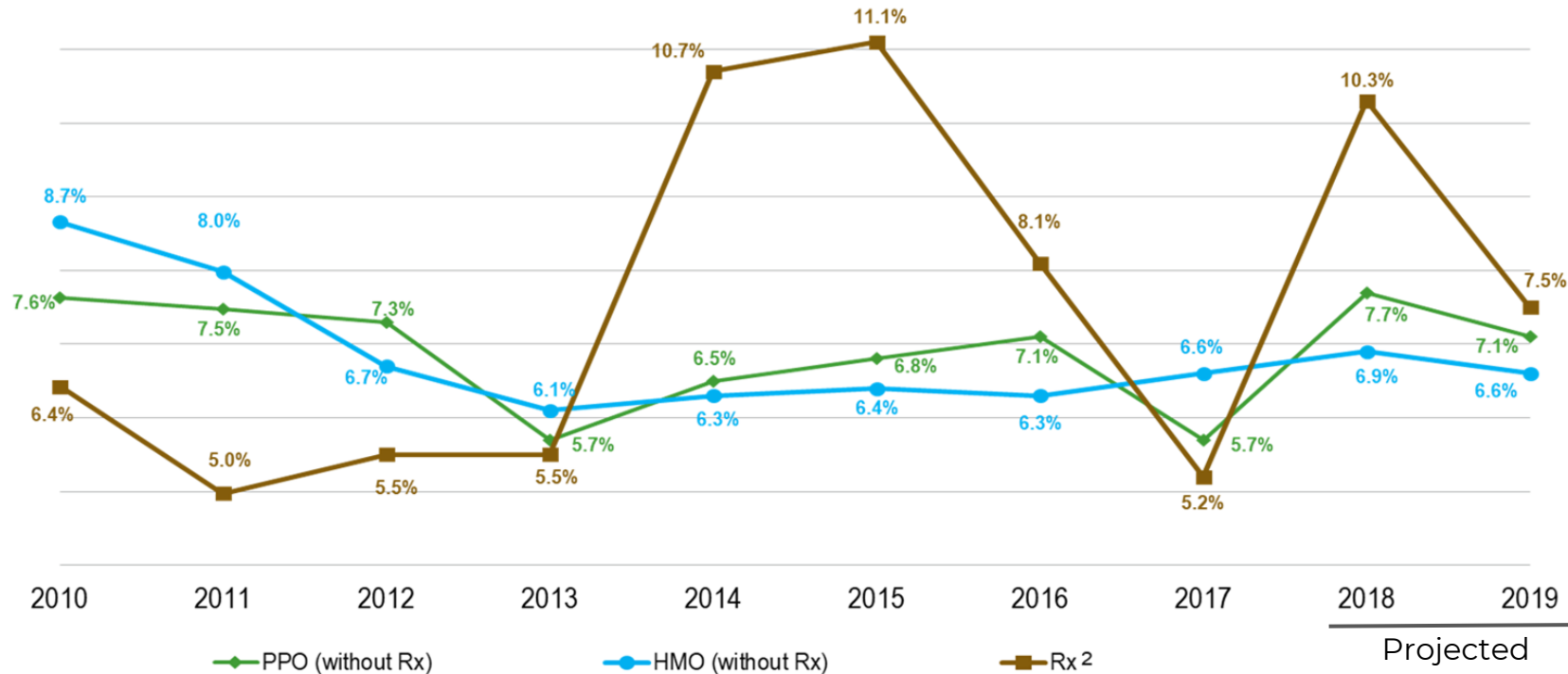
## Prescription Drugs



28	Prescription Drug Carve-Out Plans
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<sup>1</sup>“Large group” defined as plans with over 200 lives.

# Segal Trend Survey: Industry Medical and Rx Reported Trends<sup>1</sup>



Source: 2019 Segal Health Plan Cost Trend Survey

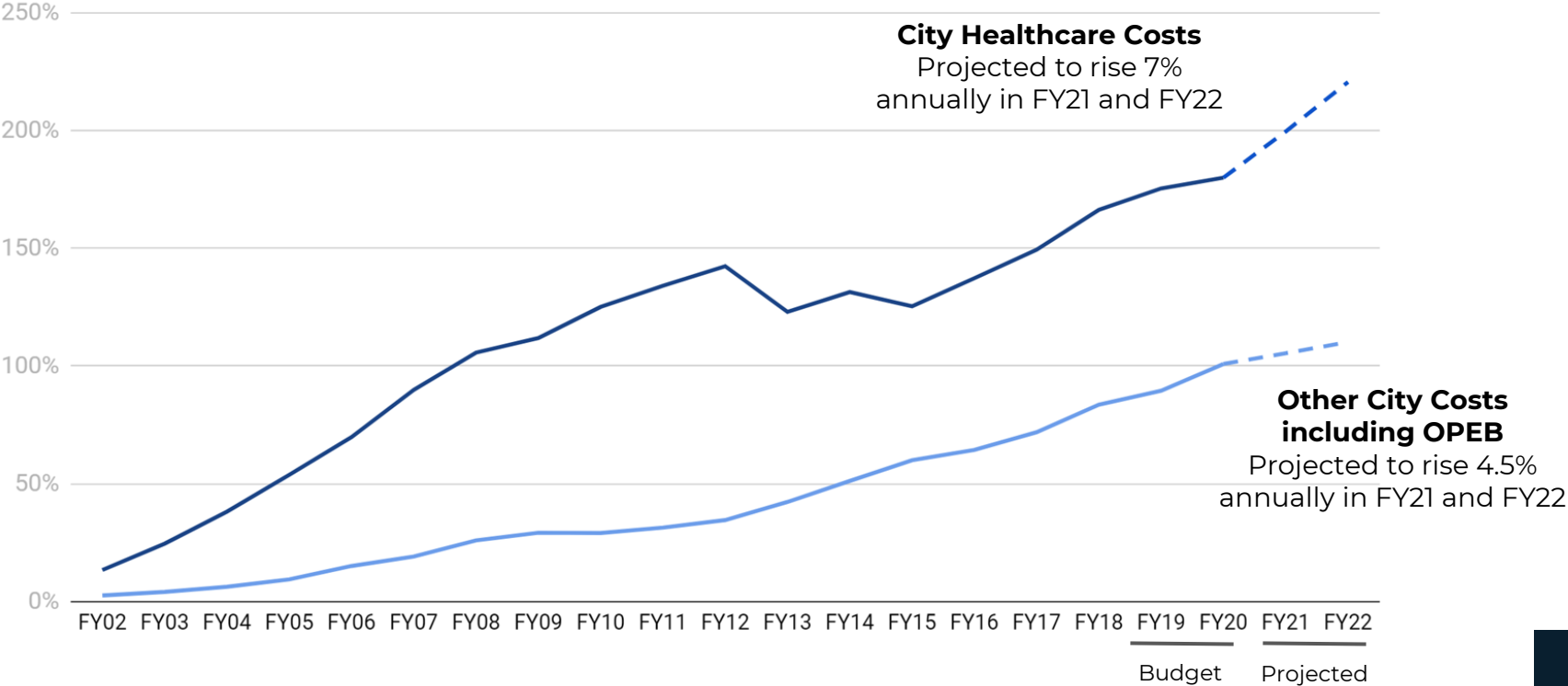
<sup>1</sup> All trends are illustrated for actives and non-Medicare retirees.

<sup>2</sup> Prescription drug trend is combined for retail and mail order delivery channels. Rx trend is based on gross claim costs and does not reflect rebates.



# Projected the City health benefits costs will rise by 7% annually.

Cumulative % Growth in Costs since 2001



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# City of Boston vs. Comparable Municipalities *Highest Enrolled Plan*

	<b>City of Boston</b>	<b>GIC</b>	<b>MIIA</b>	<b>City of Worcester</b>	<b>West Suburban Health Group</b>
<b>Enrolled</b>	14,000	32,400	5,100	3,000	1,850
<b>Non-Medicare Deductibles</b>					
<b>Medical Deductible</b>	\$0	\$500 Ind/ \$1,000 Fam	\$300 Ind/ \$900 Fam	\$500 Ind/ \$1,000 Fam	\$300 Ind/ \$900 Fam
<b>Rx Deductible</b>	\$0	\$100 Ind/ \$200 Fam	\$0	\$0	\$0



## City of Boston vs. Comparable Municipalities *Highest Enrolled Plan*

	City of Boston	GIC*	MIIA*	City of Worcester*	West Suburban Health Group*
<b>Non-Medicare Copays</b>					
<b>Office Visit</b>	\$20	\$10 / \$20 / \$40	\$20	\$20 / \$25	\$20
<b>Specialist Visit</b>	\$30	\$30 / \$60 / \$75	\$60	\$20 / \$35	\$30 / \$60 / \$90
<b>ER</b>	\$100	\$100	\$100	\$100	\$100

\*Deductible does not apply with the exception of GIC, MIIA, and WSHG emergency room.

# City of Boston vs. Comparable Municipalities *Highest Enrolled Plan*

	City of Boston	GIC**	MIIA**	City of Worcester**	West Suburban Health Group**
<b>Non-Medicare Copays</b>					
<b>Advanced Imaging</b>	\$0	\$100	\$100	\$50 (non-hospital setting) or \$100 (hospital setting)	\$100
<b>Outpatient Hospital</b>	\$0	\$250	\$250	\$150 / \$300	\$250
<b>Inpatient Hospital</b>	\$0	\$275 / \$500 / \$1,500	\$275 / \$1,500	\$250 / \$500	\$250 / \$500 / \$1,500

\*\*Deductible does apply.



# City of Boston vs. Comparable Municipalities *Highest Enrolled Plan*

	City of Boston	GIC***	MIIA	City of Worcester	West Suburban Health Group
<b>Non-Medicare Rx Copays</b>					
<b>Retail (30-day)</b>	\$10 / \$25 / \$45	\$10 / \$30 / \$65	\$10 / \$30 / \$65	\$10 / \$25 / \$50	\$10 / \$30 / \$65
<b>Mail-order (90-day)</b>	\$20 / \$50 / \$100	\$25 / \$75 / \$165	\$25 / \$75 / \$165	\$20 / \$50 / \$150	\$25 / \$75 / \$165
<b>Medicare Rx Copays</b>					
<b>Retail (30-day)</b>	\$10 / \$20 / \$35	\$10 / \$30 / \$65	\$10 / \$20 / \$35	\$10 / \$25 / \$50	\$5 / \$15 / \$30
<b>Mail-order (90-day)</b>	\$20 / \$40 / \$105	\$25 / \$75 / \$165	\$20 / \$40 / \$70	\$20 / \$50 / \$110	\$10 / \$30 / \$60

\*\*\*GIC non-Medicare rx copays apply after the deductible.



**City of Boston vs. Comparable Municipalities** *Highest Enrolled Plan*

	City of Boston Current	GIC	MIIA	City of Worcester	West Suburban Health Group
<b>Enrollment</b>	14,000	32,400	5,100	3,000	1,850
<b>Deductibles</b>					
<b>Medical Deductible</b>	\$0	\$500 Ind /\$1,000 Fam	\$300 Ind /\$900 Fam	\$500 Ind /\$1,000 Fam	\$300 Ind /\$900 Fam
<b>Out of Pocket Max</b>	\$4,500 per Mem/ \$9,000 per Fam	\$5,000 per Mem/ \$10,000 per Fam	\$2,500 Ind / \$5,000 Fam – Med \$1,000 Ind / \$2,000 Fam - Rx	\$4,000 Ind / \$8,000 Fam – Med \$1,500 Ind / \$3,000 Fam - Rx	\$2,000 Ind / \$4,000 Fam – Med \$2,000 Ind / \$4,000 Fam - Rx
<b>Rx Deductible</b>	\$0	\$100/ \$200	\$0	\$0	\$0
<b>Copays</b>					
<b>Primary Care Visit</b>	\$20 copay	\$10 / \$20 / \$40	\$20	\$20 / \$25	\$20
<b>Mental Health</b>		\$10	\$20	\$20	\$20
<b>Specialist Visit</b>	\$30 copay	\$30 / \$60 / \$75	\$60	\$30 / \$35	\$30 / \$60 / \$90
<b>ER</b>	\$100	\$100	\$100	\$100	\$100
<b>Inpatient Hospital/ Mental Hlth</b>	\$0	\$275 / \$500 / \$1,500 \$200 Mental Hlth Max 1/Qtr	\$275 / \$1,500	\$250 / \$500	\$250 / \$500 / \$1,500
<b>Outpatient Hosp Surgery</b>	\$0	\$250 copay (Max 4/yr)	\$250	\$150 / \$300	\$250
<b>Advance Imaging</b>	\$0	\$100 copay	\$100	\$50 (non-hospital setting) or \$100 (hospital setting)	\$100
<b>Rx Copays</b>					
<b>Non-Medicare Retail/ Mail</b>	\$10 / \$25 / \$45	\$10 / \$30 / \$65	\$10 / \$30 / \$65	\$10 / \$25 / \$50	\$10 / \$30 / \$65
	\$20 / \$50 / \$100	\$25 / \$75 / \$165	\$25 / \$75 / \$165	\$20 / \$50 / \$150	\$25 / \$75 / \$165
<b>Medicare Plans Retail/ Mail</b>	\$10 / \$20 / \$35	\$10 / \$30 / \$65	\$10 / \$20 / \$35	\$10 / \$25/ \$50	\$5 / \$15 / \$30
	\$20 / \$40 / \$105	\$25 / \$75 / \$165	\$20 / \$40 / \$70	\$20 / \$50 / \$110	\$10 / \$30 / \$60

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## City Savings from GIC Benchmark Plan Design

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The City of Boston would save \$23.5 million by adopting the GIC Benchmark Plan design, per MGL Ch. 32B S.22.

Savings from joining the GIC, per MGL Ch. 32B S. 23, would be substantially greater.

### Estimated City Savings with GIC Benchmark Plan Designs

	City of Boston Current	GIC Benchmark	Total City Share Savings (\$MIL)
<b>Deductibles</b>			
<b>Medical Deductible</b>	\$0	\$500 / \$1000	<b>\$12.95</b>
<b>Out of Pocket Max</b>	\$4,500 per Member / \$9,000 per Family	\$5,000 per Member / \$10,000 per Family	
<b>Rx Deductible</b>	\$0	\$100 / \$200	<b>\$3.93</b>
<b>Copays</b>			
<b>Primary Care Visit</b>	\$20 copay	\$10 / \$20 / \$40	<b>-\$0.61</b>
<b>Mental Health</b>		\$10	
<b>Specialist Visit</b>	\$30 copay	\$30 / \$60 / \$75	<b>\$1.46</b>
<b>ER</b>	\$100	\$100	
<b>Inpatient Hospital/ Mental Hlth</b>	\$0	\$275/ \$500/ \$1500, \$200 Mental Hlth (Max 1/Qtr)	<b>\$1.35</b>
<b>Outpatient Hosp Surgery</b>	\$0	\$250 copay (Max 4/yr)	<b>\$1.16</b>
<b>Advance Imaging</b>	\$0	\$100 copay	<b>\$0.58</b>
<b>Chiropractic</b>	Not covered	\$30 copay/ up to 20 visits	<b>-\$0.53</b>
<b>Rx Copays</b>			
<b>Non-Medicare</b>	\$10 / \$25 / \$45	\$10 / \$30 / \$65	<b>\$1.50</b>
Retail/ Mail	\$20 / \$50 / \$100	\$25 / \$75 / \$165	
<b>Medicare Plans</b>	\$10 / \$20 / \$35	\$10 / \$30 / \$65	<b>\$1.70</b>
Retail/ Mail	\$20 / \$40 / \$105	\$25 / \$75 / \$165	
			<b>\$23.5</b>



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## Timeline to Implement New Agreement

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- March 2019: Educational Presentation - History of PEC and Relevant Healthcare Terms in preparation for PEC bargaining
- **April 2019:** Educational Presentation – City of Boston Fiscal Context and Healthcare Environment in preparation for PEC bargaining
- May 2019: Proposal from the City of Boston
- June - November 2019: Negotiations between the City and PEC
- **December 2019:** New PEC agreement signed
- **July 1, 2020:** New PEC agreement effective

# Questions



# Glossary

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## Healthcare Terms:

### Types of Health Insurance Plans:

- **Health Maintenance Organization (HMO)** - A plan that usually limits coverage to care from doctors who contract with the HMO. It generally will not cover out-of-network care except in an emergency. An HMO requires you to live in its service area to be eligible for coverage. HMO plans also require a referral from your primary care doctor to see a specialist.
- **Point of Service (POS)** - A plan in which you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. POS plans also require a referral from your primary care doctor to see a specialist.
- **Preferred Provider Organization (PPO)** - A plan in which you pay less to use providers that belong to the plan's network. You can use doctors, hospitals, and providers outside of the network for an additional cost. PPO plans do not require a PCP referral for a specialist visit.

### General Health Insurance Terms:

- **Annual Enrollment** - The yearly period when employees/retirees can enroll in and change health insurance plans and coverage without a qualifying life event.
- **Fully-Insured vs. Self-Insured** - The financial arrangement between the insurance carrier/administrator and the purchaser. In a fully insured arrangement, a set annual premium is charged, regardless of actual costs incurred. In a self-insured arrangement, the purchaser pays actual claims costs and an administrative fee for claims management, retaining the risk of unexpected high claims, and the savings if costs are lower.
- **Massachusetts General Law (MGL)** - Statutes or laws of Massachusetts.
- **Prescription Drug Plan (PDP)** - Stand-alone prescription drug plan that is at least the Medicare Part D equivalent.

# Glossary *continued*

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- **Primary Care Physician (PCP)** - A physician who directly provides or coordinates a range of health care services for a patient.
- **Rx** - A medical prescription. The symbol "Rx" is usually said to stand for the Latin word "recipe" meaning "to take."
- **Specialist** - A physician who focuses on a specific area of medicine or a group of patients to diagnose, manage, prevent, or treat certain types of symptoms and conditions.

## **Health Carriers for City of Boston:**

- **AllWays Health Partners [formerly Neighborhood Health Plan (NHP)]** - Provides one non-Medicare HMO plan.
- **Blue Cross Blue Shield of Massachusetts (BCBSMA)** - Provides one non-Medicare PPO and three Medicare plans.
- **Harvard Pilgrim Health Care (HPHC)** - Provides one non-Medicare HMO plan and one Medicare plan.
- **Tufts Health Plan** - Provides two Medicare plans.

## **Health Insurance Purchasing Cooperatives:**

- **Group Insurance Commission (GIC)** - The GIC provides and administers health insurance and other benefits to 180,000 state employees, retirees, and their dependents, in addition to 70,000 subscribers from 41 municipalities and 17 school districts and collaboratives.
- **Group Insurance Commission Benchmark Plans** - Under Ch. 32b S.21 - 23, municipalities compare plan design and savings against the GIC's highest enrolled non-Medicare plan (currently Tuft's Navigator) and Medicare plan (Unicare Indemnity OME).
- **Massachusetts Interlocal Insurance Association (MIIA)** - Municipal insurance pool with over 400 cities, towns, and other public entities in the Commonwealth.
- **West Suburban Health Group (WSHG)** - Municipal joint purchase group organized under MGL Ch. 32B, §12 currently signed by 11 participating governmental employers located in the metrowest area (west and south of Boston) of the Commonwealth.