

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (“MOA” or “Agreement”) is entered into this twelfth day of November 2014, by and between the City of Boston, including the Boston Public Schools (“City”) and the Boston Public Employee Committee (“PEC”) (collectively “the Parties”):

WHEREAS, the City is a public employer providing certain health insurance coverage to its subscribers (i.e., employees, retirees, surviving spouses and dependents); and

WHEREAS, on or about May 4, 2011, the City, by majority vote of the City Council and approval of the Mayor, accepted M.G.L. c. 32B, §19 (“Section 19”); and

WHEREAS, the City and the PEC entered into an agreement pursuant to Section 19 that set forth the Parties’ agreements with respect to health insurance benefits for the City’s subscribers for the limited time period of July 1, 2011, through June 30, 2015 (“2011-2015 PEC Agreement”); and

WHEREAS, pursuant to the terms of the 2011-2015 PEC Agreement, the 2011-2015 PEC Agreement shall expire and Section 19 shall be revoked on June 30, 2015, thereby returning negotiations for health insurance to bargaining between the City and individual bargaining units pursuant to M.G.L. c. 150E; and

WHEREAS, the City and the PEC wish to remain in Section 19 bargaining and enter into a successor to their 2011-2015 PEC Agreement that will set forth and establish the Parties’ agreements with respect to health insurance benefits for the City’s subscribers for the limited time period of July 1, 2015, through June 30, 2020 (“2015-2020 PEC Agreement”), provided certain future events occur and future conditions are met; and

NOW, THEREFORE, the Parties agree to the following:

- 1) **City’s RFP for New Health Insurance Plans/Benefits:** The Parties agree that the City will issue a Request for Proposal (“RFP”) with a target release date of October 1, 2014, for health insurance plans that meet the criteria set forth in Appendix A, which is attached hereto. The Parties acknowledge and agree that Appendix A represents changes to the health insurance plans and benefits from those currently in effect through June 30, 2015. For information regarding the health insurance plans and benefits currently in effect through June 30, 2015, refer to the 2011-2015 PEC Agreement.
- 2) **Extension of Section 19 by the City:** Provided the City receives at least one response that meets the requirements contained in the RFP referenced in paragraph #1 above, the Mayor shall recommend to the City Council that it agree to extend its acceptance of Section 19 that is due to expire on June 30, 2015, through June 30, 2020, which the Mayor approves.
- 3) **PEC Agreement by City and PEC:** Provided the City Council votes to extend its acceptance of Section 19 through June 30, 2020, with the Mayor’s approval, the City

and the PEC shall convene a meeting as soon as possible to approve the terms of this MOA, including but not limited to the terms of at least one of the proposals that met the requirements of the City's RFP, as the terms of the 2015-2020 PEC Agreement pursuant to Section 19.

- 4) **Expiration of PEC Agreement and Revocation of Section 19:** The Parties agree that the 2015-2020 PEC Agreement shall constitute both a vote by the PEC to enter into a new Section 19 agreement as well as a vote by the PEC to revoke Section 19 and the 2015-2020 PEC Agreement on June 30, 2020. Therefore, Section 19 shall be deemed revoked on June 30, 2020, and said revocation shall not require a subsequent agreement between the City and the PEC or subsequent vote by City Council and approval by the Mayor. If it is later determined that a distinct vote by the City Council and approval by the Mayor is required to revoke Section 19 then this agreement shall be deemed to be supported by the City and the PEC for such revocation.
- 5) **Section 19 Supersedes Collective Bargaining Agreements:** As with the 2011-2015 PEC Agreement, any and all provisions of any collective bargaining agreement relative to health insurance, including but not limited to health insurance plans, contribution rates, or policies between the City, the Boston School Committee and any of the bargaining units who are signatories to this MOA, shall be superseded by the 2015-2020 PEC Agreement, as it is the Parties' understanding that all health insurance matters will hereafter be subject to the provisions and procedures of Section 19 and decisions made between the City and the PEC shall determine said matters, which are therefore not a proper subject of bargaining for individual bargaining units. Notwithstanding the aforementioned, dental and vision benefits and any health insurance "opt out" clause related to an individual union shall not be part of this MOA or the 2015-2020 PEC Agreement and shall continue to be negotiated between the City and each of the collective bargaining units pursuant to M.G.L. c. 150E.
- 6) **Bargaining After Section 19 Revocation:** When Section 19 is revoked pursuant to paragraph #4, above, the PEC will be dissolved and the City shall, unless otherwise agreed to by any or all bargaining units, negotiate with each bargaining unit individually with respect to health insurance coverage. Said negotiations, and any available insurance coverage, shall be in accordance with M.G.L. c. 150E and/or any other applicable law regarding public employee health insurance.
- 7) **Health Insurance Coverage:** The Parties agree to the changes contained in Appendix A for all non-Medicare plans. For benefits in effect prior to July 1, 2015, refer to the 2011-2015 PEC agreement.
- 8) **Funding:** The Parties agree to continue their commitment to self-insurance of medical plans. The RFP will be written to solicit only self-insured responses for the PPO and Standard HMO plans. The RFP will state a preference for self-insuring the Value HMO plan. However, the Parties agree that a fully-insured response will be considered as part of the RFP process for the Value HMO plan so long as the carrier meets both of the

following criteria: (1) The carrier is unable to offer a self-insured quote; and (2) The carrier is able to submit a full response to all sections of the RFP.

- 9) **Prescription Drug Carve Out RFP:** The City and PEC agree that during the life of the 2015-2020 PEC Agreement the City will issue an RFP to carve out Prescription Drug benefits. The objective of the prescription drug carve out will be to lower costs through competitive pricing terms and not lower costs through limited formularies, pharmacy networks, or modifications to standard pharmacy benefit management practices (i.e. step therapy, quantity limits, or prior authorization). The Parties will endeavor to maintain the same formulary for both non-Medicare and Medicare plans; however, some differences may exist as necessary to comply with the Centers for Medicare and Medicaid Services ("CMS") requirements for Medicare prescription drug plans, such as a PDP. The RFP is targeted to be issued in the fall of 2016 for a July 1, 2017 effective date.
- 10) **Medicare RFP:** The City and the PEC agree that during the life of the 2015-2020 PEC Agreement the City will issue an RFP for Medicare plan design changes and consolidation consistent with the terms contained in Appendix B of this agreement. The RFP is targeted to be issued in the fall of 2016 for a July 1, 2017 effective date.
- 11) **Reopener to Avoid Affordable Care Act Excise Tax:** If any of the plans offered by the City during the life of the 2015-2020 PEC Agreement are reasonably expected to result in the triggering of the excise tax, the Parties shall meet as soon as practicable and shall mutually agree to make acceptable changes to the then current plan design in order to avoid triggering the excise tax.
- 12) **Disease Management:** Effective July 1, 2015, the City will reallocate the seventy-five thousand dollars (\$75,000.00) per year currently being used to fund a pilot disease management program with Atrius Health that will expire December 2014, to fund a well-structured disease management program chosen by the City and the PEC.
- 13) **Wellness:** The City and the PEC will work together to promote the City's current wellness offerings as well as the programs offered by the health plan carriers.
- 14) **Medicare Part B:** Throughout the duration of this agreement, the City of Boston shall continue to reimburse fifty-percent (50%) of the cost of Medicare Part B to all retirees who are enrolled in Medicare Part B, and who are enrolled in one of the City's Medicare Products. The process, procedure, eligibility and all other matters related to the Medicare Part B reimbursement shall be consistent with the City's current practice.
- 15) **Retail Health Clinics:** The Parties agree to explore and discuss allowing retail health clinics (i.e. "Minute Clinics") to operate in the City of Boston.
- 16) **No Severable Terms:** The terms and provisions of this Agreement are not severable. If any term(s) or provision(s) of this Agreement shall be held to be invalid or

unenforceable for any reason by a court of competent jurisdiction, the validity or enforceability of the remaining terms and provisions shall be invalid and unenforceable.

17) **Signatories.** The signatories are authorized to bind their principals.

In witness hereof, the City of Boston and the PEC have caused this agreement to be signed on November 12, 2014.

For the City of Boston:

David Sweeney
Kathleen McGovern
[Signature]
Paul Curran
John Harte

For the Boston Public Employee Committee:

Shuleb to / aditt AFSCME 1526
John Zuccaro for Pres. BENA 9158
Michael J. Tols Sch. Cust
William McHally P.A.A.
[Signature] AFSCME 93
Molly Maloney AFSCME 92
Mark J. Gerolin BPSUF
Daniel Kirk B.P. D.B.S
Richard G. [Signature] Boston File 718
[Signature] Retirees
Dave J. Kelly school Custodians 44957
[Signature]

Charles R. Johnson BTU #6

Pat Carr for Dominic Sacchetti - BASAS

APPENDIX A

Changes to Non-Medicare Plans

Effective July 1, 2015 through June 30, 2020

	PPO	Standard HMO	Value HMO
Premium Contribution Split July 1, 2015*	71.5%/28.5%	81.5%/18.5%	81.5%/18.5%
Premium Contribution Split July 1, 2016*	71.0%/29.0%	81.0%/19.0%	81.0%/19.0%
Premium Contribution Split July 1, 2017*	70.5%/29.5%	80.5%/19.5%	80.5%/19.5%
In-Network Out-of-Pocket Maximum	\$4,500 Member \$9,000 Family	\$4,500 Member \$9,000 Family	\$4,500 Member \$9,000 Family
Office Visit (PCP)	\$20 copay	\$20 copay	\$20 copay
Office Visit (Specialist)	\$30 copay	\$30 copay	\$30 copay
Out-of Network Deductible	\$250 Member \$750 Family	NA	NA
Out-of-Network Out-of-Pocket Maximum	\$4,500/\$9,000 for coinsurance only	NA	NA

* Due to the fact that the City takes health insurance deductions one month in advance, employees and retirees enrolled in the above offered City plans will see the above contribution deducted from their paychecks or pension checks one month prior to the effective date of the contribution split.

The Parties agree that the City will consolidate plan options for non-Medicare plans from six (6) to three (3) and will issue an RFP soliciting responses for three (3) non-Medicare Plans as defined below:

- (1) **PPO Plan** – The network for this plan must include in-network and out-of-network access to providers in the United States and its Territories. In order to facilitate coordination of care, members will be asked to designate a PCP. Failure to designate a PCP will not result in a penalty for a member nor will members be required to obtain a referral from a PCP in order to visit a specialist during the term of this Agreement.
- (2) **Standard HMO Plan** - The network for this plan should include access to all providers within the Carrier’s general network. The network must be Massachusetts based and ideally will include providers in New Hampshire and Rhode Island. The member will be required to elect a PCP and must obtain a referral from their PCP to see a specialist.
- (3) **Value HMO Plan** – The network must be Massachusetts based. The member will be required to elect a PCP and must obtain a referral from their PCP to see a specialist. The objective of this plan is to be less costly than a Standard HMO plan. The bidder may have developed a plan which achieves savings through various methods such as a limited network, deeper discounted provider costs and/or payment arrangements, etc. In order to be considered, this plan must not gain cost savings through additional out of pocket costs to members or elimination of covered services.

Changes to Medicare Plans

Premium Share: As referenced in the 2011-2015 PEC Agreement, for coverage effective July 2015, the retiree premium share for all Medicare plans shall increase by 1%.

Effective July 1, 2017, the retiree premium share for all Medicare plans shall increase by 1%.

Copays: Effective July 1, 2017, the copays for Medicare plans shall be changed to the following (to the extent that the plans can comply with this design):

- Office Visits - \$15
- Inpatient Hospital - \$50 per admission (max 1 copay/person/quarter)

The City and PEC also agree to the following:

- 1) An RFP will be issued in the fall of 2016 for three Medicare plan types (to include an indemnity/nationwide plan, local plan, Medicare Advantage plan) with the plan design changes listed above. These plans will be offered for coverage effective July 1, 2017.
- 2) The Master Medical A & B Carveout Plan will be eliminated effective July 1, 2017.
- 3) Through the Medicare Plan RFP and Prescription Drug Carveout RFP process, cost savings options such as PDP plans will be evaluated and implemented if savings are generated without significant disruption.
- 4) Throughout the duration of this agreement, the City of Boston shall continue to reimburse fifty-percent (50%) of the cost of Medicare Part B to all retirees who are enrolled in one of the City's Medicare Products. The process, procedures, eligibility and all other matters related to Medicare Part B reimbursement shall be consistent with the City's current practice.