

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