

IMPLEMENTATION OF CHAPTER 32B, SECTION 18

Town of Arlington

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Deputy Town Manager**

Chapter 32B, Section 18

- **Passed in 1991, it allows a city or town, by local option, to require all Medicare eligible retirees to enroll in a Medicare supplement plan.**
- **The city/ town's Medicare supplement plan must be "of comparable actuarial value to...the retiree's existing coverage." The city/ town would be required to make up the difference or to change the existing supplemental plan to conform.**
- **Retirees who did not submit the information necessary to transfer them to the Medicare supplement plan would no longer be eligible for health care coverage through the city/ town.**
- **The law states that "The Governmental unit shall pay any Medicare part B premium penalty assessed by the federal government on said retirees, spouses and dependents."**
- **The legislation must be locally accepted. In Arlington's case it was by Town Meeting. In most cities it is by the City Council with approval of the Mayor.**

Advantages/Disadvantages

- **Medicare supplement plans are less costly for the city/ town and the employee – saving now and into the future**
- **Benefits are comparable to existing coverage**
- **Since April 1986, cities/towns and all new employees each began contributing Medicare taxes in the amount of 1.45% of salary. Soon all employees will be Medicare eligible**
- **GASB 45 will increase public scrutiny of retiree health care costs and liabilities**
- **Retirees are concerned with stability of Federal Medicare program**
- **The cost for Medicare Part B have risen dramatically since Arlington implemented Section 18 (2001 premium was \$50 per month, currently \$88.50)**
- **Medicare is only available for individuals – those currently on family plans would have to convert**
- **The city/ town pays any penalty imposed by the Federal government for Part B coverage**

By the Numbers

- **First year of Implementation:**
 - Additional benefits provided to all MEDEX participants Cost: \$150,000
 - Savings attributed to Section 18: \$180,000
 - Net savings to the Town: \$30,000
- **Current estimated savings:**
 - Average cost of health insurance for active employee: \$7,800
 - Average cost of health insurance for retirees: \$4,500
 - Average savings to town per retiree: \$3,300
 - Estimated savings attributable to Section 18: \$330,000

2001 Analysis of Savings/Cost to Town

CALCULATION OF CHAPTER 32B, SECTION 18 COSTS PROJECTED HEALTH INSURANCE RATES - Projection JANUARY 1, 2001

Health Plans	Number In Plan	Monthly Rate	Town Monthly Rate	Town Monthly Cost	Subscriber Monthly Rate	Subscriber Monthly Cost
Enrollees that are over 65						
Blue Choice/ Individual	4	\$ 427.77	\$ 320.85	\$ 1,283.38	\$ 106.92	\$ 427.69
Blue Choice/ Family	2	1,069.38	802.03	1,604.06	267.34	534.69
HMO Blue/Individual	10	285.95	257.35	2,573.51	28.59	285.95
HMO Blue/Family	13	737.98	664.19	8,634.48	73.79	959.24
Harvard Pilgrim /Individual	2	282.13	253.93	507.85	28.20	56.41
Harvard Pilgrim / Family	5	725.04	652.53	3,262.64	72.51	362.57
Master Health Carveout A only	19	489.05	366.78	6,968.76	122.27	2,323.17
Master Health Carveout A&B	15	368.78	276.59	4,148.87	92.18	1,382.76
Major Medical - Individual						
Major Medical - Family						
TOTALS:	70			\$ 28,983.56		\$ 6,332.47

CALCULATION FOR SECTION 18:

ASSUMPTIONS:

Blue Choice, Major Medical and Carveout enrollees placed in MEDEX
HMO Blue Enrollees placed in Managed Blue for Seniors
Harvard Enrollees placed in Harvard First Seniority
Families are assumed to be 2 persons and are converted to 2 individuals

Medicare Supplements						
Medex III	42	196.61	147.47	\$ 6,193.76	49.14	\$ 2,064.03
Managed Blue for Seniors	36	161.40	145.26	\$ 5,229.46	16.14	\$ 581.05
Harvard First Seniority	12	83.60	75.24	\$ 902.88	8.36	\$ 100.32
New Total:	90			\$ 12,326.10		\$ 2,745.40

Estimated Monthly Savings:				\$ 16,657.46		\$ 3,587.07
Estimated Annual Savings:				\$ 199,889.52		\$ 43,044.86
Estimated Penalty:				\$ 22,687.20		
Net Savings to Town:				\$ 177,202.32		

Addition of OBRA benefits to New and Existing Retirees

Medicare Supplements				Monthly Town Cost		Monthly Subscriber Cost
Medex III	451	196.61	147.46	\$ 66,504.69	49.15	\$ 22,168.23
Managed Blue for Seniors	138	161.40	145.26	\$ 20,046.25	16.14	\$ 2,227.36
Harvard First Seniority	79	83.60	75.24	\$ 5,943.96	8.36	\$ 660.44

ADDITION OF OBRA TO
MEDEX III - 11%
INC. & 7.5
Prescription card-
Annual cost:

NEW TOTAL:	668			\$ 147,640.40		\$ 55,597.92
Individual Cost Calculations:		218.24	163.68		54.56	
Net Savings(Cost) to Town:				29,561.92		

2001 Analysis of Savings/Cost to Participant

Chapter 32B Section 18 Calculation Savings /Cost to Participant

Current Enrollment Option	Number Subscriber		New Enrollment Option Requiring enrollment in Medicare	Subscriber Monthly Rate
	in Plan	Monthly Rate		

Enrollees that are over 65			Health Plan	Cost for Retiree	Medicare Part B	Total Cost	Monthly Difference	Annual (Savings)/Cost
Health Plan								
Blue Choice/ Individual	4	\$ 97.20	Medex III	\$ 54.02	\$ 46.00	\$ 100.02	\$2.82	\$33.80
Blue Choice/ Family	2	243.04	Medex III (2 enrollees)	108.03	92.00	200.03	(\$43.01)	(\$516.10)
HMO Blue/Individual	10	26.00	Managed Blue for Seniors	14.64	46.00	60.64	\$34.64	\$415.70
HMO Blue/Family	13	67.08	Man.Blue (2 enrollees)	29.27	92.00	121.27	\$54.20	\$650.34
Harvard Pilgrim /Individual	2	25.64	Harvard First Seniority	7.60	46.00	53.60	\$27.96	\$335.54
Harvard Pilgrim / Family	5	65.92	Harv.1st Sen.(2 enrollees)	15.20	92.00	107.20	\$41.28	\$495.32
Master Health Carveout A only	19	111.16	Medex III	54.02	46.00	100.02	(\$11.14)	(\$133.70)
Master Health Carveout A&B	15	83.80	Medex III	54.02	46.00	100.02	(\$29.79)	(\$357.44)
Major Medical - Individual		125.60	Medex III	54.02	46.00	100.02	(\$25.58)	(\$306.98)
Major Medical - Family		293.16	Medex III (2 enrollees)	108.03	92.00	200.03	(\$93.13)	(\$1,117.53)
	70							

CALCULATION FOR SECTION 18:

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Medicare Supplements

Medex III	42	54.02
Managed Blue for Seniors	36	14.64
Harvard First Seniority	12	7.60

New Total: 90

Arlington's Acceptance Timeline

- **Approached Health Insurance Advisory Committee (HAIC)**
- **HIAC expressed interest in enhancing current MEDEX plan to include OBRA benefits**
- **Town agreed to increase benefits if Section 18 was implemented**
- **Article placed in Town Meeting warrant**
- **Approved by Board of Selectmen**
- **Approved by Town Meeting**

Memo to Town Meeting

May 2000

To Members of the Town Meeting:

It is recommended that there be favorable action on Article 27 of the 2000 Annual Town Meeting.

The Town Manager's Office brought articles for adoption of Chapter 32B, Section 18 to Town Meeting in 1993 and 1995. At those times there were no compelling reasons to proceed with its adoption. Now there are several reasons to move forward.

- It will save the town and the retirees money in the long run.
- It offers us the opportunity to enhance the existing Medex III program for over 450 existing enrollees as requested by the retiree population.
- All employees hired since April 1986 will be Medicare eligible.
- Future projections for health insurance costs are higher then ever.
- We have the support of the Health Insurance Advisory Committee which is comprised of representatives from each union and the retirees.
- There is pending legislation to distribute the "Tobacco Settlement" money that will be given as matching grants to cities and towns. One of the requirements is that in order to be eligible a community must have adopted Chapter 32B, Section 18.

Background

In 1991 the legislature passed a law, Section 18 of MGL Chapter 32B, which would allow a city or town, by local option, to require all Medicare eligible retirees to enroll in a Medicare supplement plan.

Municipal employees were not eligible for Medicare coverage until 1986 when the Federal government required those employees hired after April 1 to contribute 1.45% of their salary. The Town at that time was also required to pay a matching contribution. Since municipal employees were not previously eligible for Medicare, the Town was compelled to allow retirees to enroll in any health insurance plan available to active employees. Those plans are more expensive then the Medicare supplement plans.

Medicare coverage has two parts, A and B. Part A is provided at no charge to eligible retirees and basically covers hospital related charges. Part B coverage is provided for a fee and provides coverage for non-hospital related charges. A Medicare supplement plan provided through the Town brings the coverage received under Medicare to about the same level as those received under active employee health care coverage.

Section 18 provides that, if accepted, the Town would require all retirees who have Part A of Medicare at no cost to them to enroll in Part B and the town's Medicare supplement plan. This coverage must be "of comparable actuarial value to...the retiree's existing coverage." The Town would be required to make up the difference or to change the existing supplemental plan to conform. Retirees who did not submit the information necessary to transfer them to the Medicare supplement plan would no longer be eligible for health care coverage through the town.

(continued)

Memo to Town Meeting (continued)

A retiree is given a small window when they become eligible for Medicare coverage to join the plan. If they do not join at that time, they must pay a penalty. This penalty is an additional 10% of the Part B premium for each year since their eligibility. For example, a retiree who waited five (5) years before joining would pay an additional 50% of the Part B premium. The law states that "The Governmental unit shall pay any Medicare part B premium penalty assessed by the federal government on said retirees, spouses and dependents." Future retirees who are eligible would be required to join immediately so there would not be a Part B penalty.

The legislation must be accepted by Town Meeting.

Advantages

The advantage to the town in accepting this legislation is that the Medicare supplement plans are less costly. This is because they only cover that portion of the health care that is not provided through the Federal Medicare program.

The advantage to the retiree is that the supplemental plan could cost them less money and provides comparable coverage.

If the retiree is eligible for Medicare then they have paid into Medicare for the requisite number of years 1.45% of their salaries for Medicare Part A. All employees hired after April 1, 1986 will have paid into Medicare. Since that time the Town has been paying 1.45% of the salary of new employees into the Federal Medicare fund. The projected budget for FY2001 is \$324,000 and expected to rise every year until all employees' salaries are covered. To not require that the employees partake of this benefit after they and the Town have paid for it is to pay for health care coverage twice.

There are 70 retirees who are currently enrolled in the active health insurance plans who would be affected by this change.

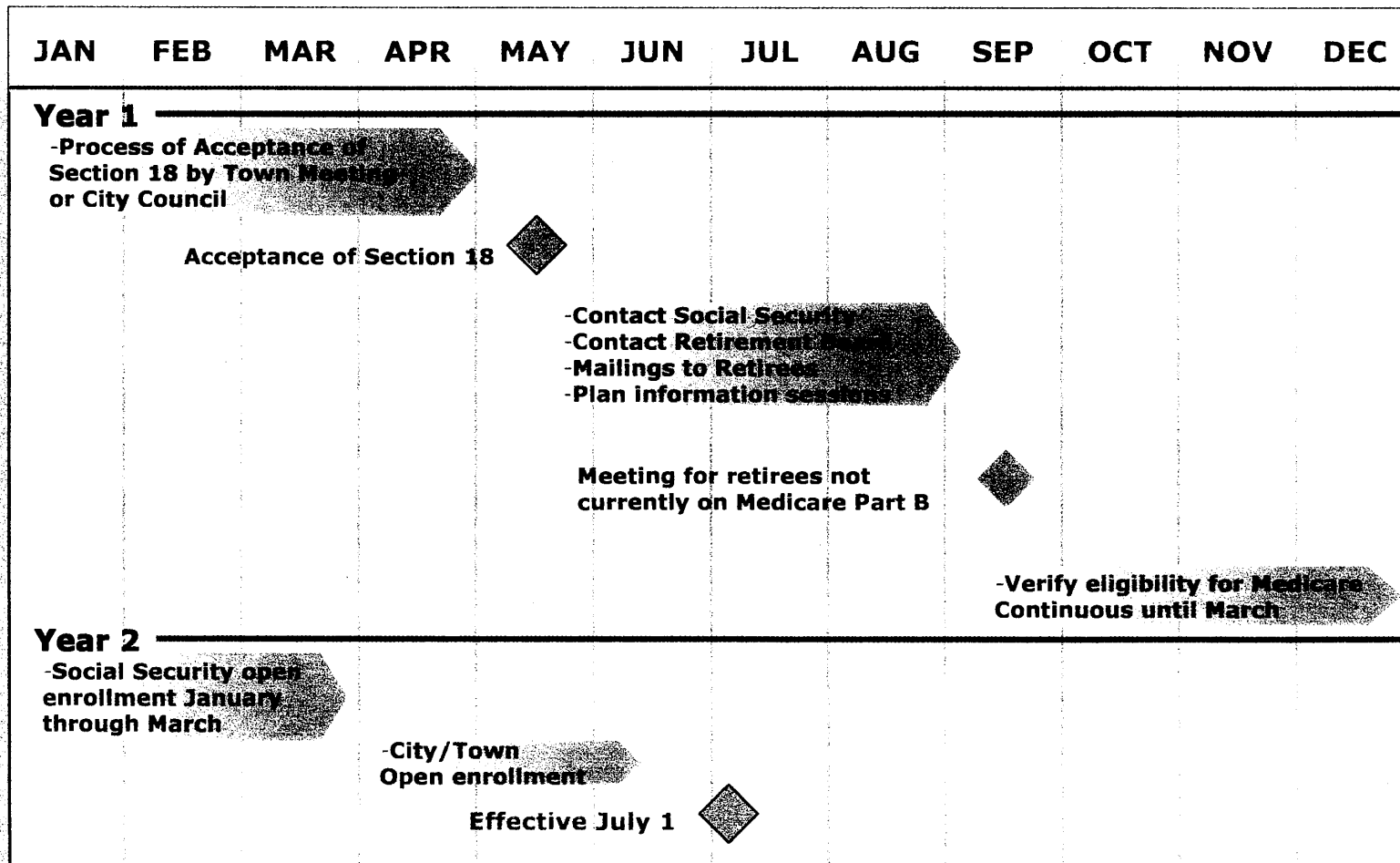
The Town has committed to take whatever savings are attributed to the adoption of Section 18 and apply them to adding OBRA benefits and a prescription card program to the Medex III plan.

Disadvantages

Many retirees are concerned with the stability of the Federal Medicare program.

There are some retirees who would be paying more for the cost of their entire health insurance package. This is true for those who are currently enrolled in HMO's and for those who have family plans which must be converted to two individual plans. There are approximately 30 retirees who would be impacted negatively. The remaining 40 retirees would save on the costs of their health insurance.

Implementation Schedule for C. 32B Section 18



Implementation

- **Contact Social Security**
 - Sent list of retirees over 65 not on Medicare
 - Provided information on Medicare to retirees
 - Provided forms to complete
 - Started the process early to avoid Social Security's busiest time period
- **Keep health insurance vendors informed**
- **Work with your Retirement Board and Mass Teachers Retirement**
 - They correspond frequently with retirees
 - Sponsored meeting on Social Security

Implementation (continued)

- **Inform your retirees**

- **Calm fears about change – emphasize that benefits will remain the same**
- **Reach them early to insure smooth transition**
- **Send letters to those who are affected**

Large type, name and phone number of contact

Question and answer sheet

Copy of letter and application to send to Social Security

- **Hold information hearings**

Medicare Part A & B and now D

Government pension offset (benefits received as spouse or widower)

Windfall provision

Sample Letter to Affected Retirees

To Town of Arlington Retiree:

At the Annual Town Meeting in May the Town Meeting voted to accept Massachusetts General Law Chapter 32B, Section 18. This law affects all retirees who are eligible to enroll in the Town's Health Insurance program. Generally the law requires you to enroll in one of the Town's Medicare Supplement plans if you are Medicare eligible.

Enclosed is a form labeled "Application for Enrollment in Medicare". You must complete this application form. Additionally, there is a form labeled "Request for Employment Information". The Town of Arlington has already completed this form. You must place both of these forms in the enclosed preaddressed envelope. Also included, is an information sheet labeled "Privacy Act Notice" and a question and answer sheet. These are for informational purposes only.

To assist you in understanding this change we have scheduled a general meeting with a representative of Social Security for XXXXXXXXXXXX.

We understand you may have questions regarding this change. Please call XXXXX from 10:00 AM to 12:00 PM Monday through Friday at 781-316-XXXX with any of your questions regarding the change or what you need to do.

Thank you for your cooperation and we will make every attempt to make this transition as smooth as possible for you.

Sample Information Sheet

What is Chapter 32B, Section 18?

In 1991 the legislature passed a law, Section 18 of MGL Chapter 32B, which would allow a city or town, by local option, to require all Medicare eligible retirees to enroll in a Medicare supplement plan.

Medicare coverage has two parts, A and B. Part A is provided at no charge to eligible retirees and basically covers hospital related charges. Part B coverage is provided for a fee and provides coverage for non-hospital related charges. A Medicare supplement plan provided through the Town brings the coverage received under Medicare to about the same level as those received under active employee health care coverage. The Town currently offers the following Medicare supplement plans:

How does this affect me?

If you are eligible for Part A of Medicare then you must enroll in Part B and enroll in one of the Town's Medicare supplement plans.

What do I have to do?

The first step is to determine if you are eligible for Medicare Part A. This is done by applying for Medicare at the Social Security office. Social Security determines your eligibility.

Once you determine that you are eligible then you have to apply to Social Security to enroll in Part A and Part B. You would then enroll in the Town's Medicare supplement plan.

The Town will be holding a special open enrollment for retirees in July 2001.

What if I'm not eligible for Medicare Part A?

YOU MUST STILL APPLY FOR MEDICARE AT THE SOCIAL SECURITY OFFICE. IF YOU ARE NOT ELIGIBLE THEY WILL PUT THAT IN WRITING FOR YOU. You would remain enrolled in the Town's active health insurance plan. A copy of the letter from Social Security would be placed in your personnel file indicating that you are not eligible for Medicare.

What if I'm Part A eligible and don't want to change?

The law is mandatory. You must provide the town with the information necessary to enroll you in the appropriate plan. If you do not submit the information necessary to transfer you to the Medicare supplement plan then you would no longer be eligible for health care coverage through the town.

How do I enroll in Medicare Part B?

Enrollment in Part B Medicare is administered by the Social Security Administration.

The Social Security Administration offers a general open enrollment for Part B coverage from January to March each year. You must enroll at that time. A copy of the application is enclosed for your use. Medicare Part B benefits will then be available to you starting July 1, 2001.

If you are not yet 65 years of age you should check with Social Security regarding when you should apply for benefits.

If Social Security indicates that you owe a penalty, the Town will pay the penalty amount. Once documented, the town will credit your Town retirement check. Be sure to bring in to the Personnel Office, Town Hall, 730 Massachusetts Avenue, Arlington, the information from Social Security that shows you owe a penalty.

Why did the Town accept this law?

As we're sure you are aware, the cost of health insurance is skyrocketing. This program will reduce the costs for the retirees and the Town. Any savings the Town receives will go to enhance the MEDEX plan offered by Blue Cross/Blue Shield. Starting in July the MEDEX program will have OBRA benefits and a prescription card program added. Adopting this law allowed the Town to increase the benefits of our MEDEX program while reducing the costs for all retirees.

More Information

There will be an Informational meeting on this issue to answer any questions you have on:

Sample Letter to Social Security

**Field Representative
Social Security Administration
240 Elm Street
Somerville, Massachusetts 02144**

Dear ,

I am a retired employee of the Town of Arlington. The Town has accepted MGL 32B, Section 18 which requires Medicare eligible retirees to enroll in Medicare.

Would you please confirm in writing my eligibility status so that the Town has it for their records?

Name:

Address:

My Social Security number is _____.

My spouse's Social Security number is _____.

Thank you very much for your attention to this matter.