



# Health Insurance Benefits Workshop with Town Council

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Mark Ells, Town Manager

Barnstable, MA

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# Overview of Health Benefits for Employees of the Town of Barnstable

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- Mark Ells, Town Manager
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- Karen Nober, Town Attorney
  - Conflict of Interest concerns
  - Action needed by Town Council
- William Cole, Human Resources Director
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  - Recruiting & Retaining Employees in Barnstable
- Mark Milne, Finance Director
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# Town of Barnstable Mission Statement

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- Our priorities focus on the mission of our organization and its strategic plan
  - To protect the Town of Barnstable's quality of life and unique character, engage our citizens, and enact policies that respond to and anticipate the needs of our community.
    - Through sound financial management
    - Open communication that engages our public
    - Organizational commitment to developing staff
    - With an equitable balance of resource allocation to improve the quality of life for our residents, businesses, and visitors
- Challenge = Balanced approach
- Balanced approach = Adaptability to changing environment
- Changing environment = Changing employment market

# Introduction

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## **Barnstable Municipal Government**

- Barnstable is the second largest employer on Cape Cod
- We are in the business of providing municipal services and one of our greatest assets is our employees and their ability to provide high quality programs and service for a complex community
- Our Employees:
  - 450 Municipal Employees
    - Six collective bargaining units
    - Non-affiliated staff
    - Contract Employees
  - 1300 School Employees
    - Six collective bargaining units
    - Non-affiliated staff
    - Contract Employees

# Introduction

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- Health Insurance Benefits are an important part of employment
  - Marketplace for employees has changed with factors such as
    - Housing availability and affordability
    - Competitive salary and benefits
    - Quality of personal and work life
  - Barnstable currently pays 50% of the permanent employees health insurance costs for those employees who participate in the Town of Barnstable's health insurance plan
  - Barnstable's employee vacancy is ranging from 10% to 20% with even greater challenges to fill seasonal and part-time positions
- We were asked by Town Council during our budget approval process to come back with information regarding employee vacancy rates in an effort to address important factors in providing high quality municipal services
  - One of those factors is Health Insurance Benefits

# What are the Conflict of Interest concerns and how does it involve the Town Council and staff?

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- **Section 19 of G.L. c. 268A, the state conflict of interest law**, prohibits a municipal employee from participating in particular matters in which the employee has a reasonably foreseeable financial interest. The “particular matters” under discussion are decisions relating to a potential increase in the Town’s contribution to employee health care costs, which would decrease the amount paid by Town employees. Any Town employee who obtains health insurance through the Town has a financial interest in such matters.
- **Appointed employees** can file a disclosure with their appointing authority and seek a determination allowing them to participate notwithstanding the financial interest.
- **Elected officials** do not have an appointing authority, so they cannot participate in matters in which they have a financial interest, unless the Rule of Necessity applies.

# What are the Conflict of Interest concerns and how does it involve the Town Council and staff?

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- **Rule of Necessity:**
- **Under very limited circumstances, the Rule of Necessity may be used by an elected board to allow the participation of otherwise disqualified members in order to allow the board to act. It can only be used when a board does not have enough members to act solely because board members are disqualified due to conflicts of interest.**
- Can only be used when an elected board is legally required to act on a matter, e.g., a statute requires an action to be taken or sets a deadline for action.
- It cannot be used when a board has discretion to act or wants to act.
- Before invoking the Rule of Necessity, every effort must be made to find another board or authority in the Town with the legal power to act in place of the elected board.
- Procedural requirements must be followed to invoke the Rule of Necessity
- Consult with Ethics Commission prior to using the Rule – discussions with the Ethics Commission staff to date indicate they do not believe the Rule of Necessity would be available in these circumstances as there is no legal requirement that the Council take an action, nor is there a statutory deadline for action.

# What are the Conflict of Interest concerns and how does it involve the Town Council and staff?

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- **Town Manager and other appointed staff who have health insurance through the Town** need approval from their appointing authority to participate in matters involving employee health insurance. The Town Manager's appointing authority is the Town Council. If he receives a determination from the Council allowing him to participate notwithstanding his financial interest, he may then make similar determinations for other Town staff in his capacity as their appointing authority.
- **Town Council** – for the Council to act on matters involving employee health insurance, there needs to be a quorum, i.e., at least 9 Councilors who do not have a financial interest in the matter. Currently, 7 Councilors obtain health insurance through the Town. Assuming 2 of those Councilors are not running again, that number drops to 5, leaving 8 Councilors without a conflict – not enough to achieve a quorum.



# What are the Conflict of Interest concerns and how does it involve the Town Council and staff?

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**Significance of upcoming election in November** – elected officials who have a financial interest in proposed changes to the employee health care contributions may take a vote on that matter prior to an election in which they are running for re-election, if the vote is effective after the election. Because there is no way of knowing whether a Councilor will be re-elected, a Councilor does not have a reasonably foreseeable financial interest in changes that take effect after the election. Councilors who are not running for re-election will not have a financial interest in changes that take effect after the election. However, if a Councilor obtains health insurance through the Town and votes on changes to the employee health insurance contribution prior to the election, but at a time when she knows she is running unopposed, that Councilor will have a financial interest in such changes even if they do not take effect until after the election. Nomination papers are due to the Town Clerk on Sept. 15, so on or about that date is when Councilors may know if they are running unopposed.

# What are the Conflict of Interest concerns and how does it involve the Town Council and staff?

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- This is why the proposed votes that are before the Council are recommended to take place before September 15 and are structured so that the decisions they authorize would not be effective until on or after December 1, 2023, after the November election.
- Discussions with the Ethics Commission are ongoing to see if a case can be made for the use of the Rule of Necessity, but given the upcoming election deadlines, the proposed votes have been structured based on the premise that the Rule cannot be used, except during the budget approval process.

# How was the 50% employee health benefit amount established?

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G.L. c. 32B, Section 7 provides that the Town and its employees each pay 50% of the monthly premium for employee health insurance.

# How can the 50% employee health benefit amount be modified?

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Under G.L. c. 32B, the Town Council may vote to accept the provisions of Section 7A of Chapter 32B, which would allow the Town to pay more, but not less, than 50% of the monthly premium for employee health insurance.

Under the Town Charter, the Town Manager is responsible for collective bargaining with the unions. Accordingly, if the Town Council votes to accept Section 7A and delegates this matter to the Town Manager, the Town Manager would commence negotiations with the unions and any agreed upon change would be applied across the board for all employees of the Town, subject to appropriation as part of the Town's budget process.

Discussions are ongoing with the Ethics Commission regarding whether the Rule of Necessity would need to be invoked during the budget process, since the budget is legally required to be approved each year by the Town Council.

# Employment Market – Recruitment and Retention

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- The Town's 50% premium contribution places us at a competitive disadvantage in recruiting compared to surrounding communities.
- It is difficult to quantify the number, but potential candidates do not apply after reviewing our benefit package on our website.
- Over the past 12 months the Town has lost several candidates due to our health insurance premium contribution. These include:
  - DPW 6 candidates for mid to upper level positions
  - Airport 1 candidate for an maintenance position
  - Police 1 lateral transfer candidate and 2 candidates with conditional offers
  - Schools 13 teacher candidates at BHS, BIS, BUES

# Employment Market – Recruitment and Retention

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- The Town's health insurance premium split also makes it difficult to retain existing employees.
- Employees from the Administrative Services, Public Works, and School Departments have left for organizations which pay a greater percentage of the health insurance premium. Employees do leave for other reasons (commute, pay, housing costs, etc.), but health insurance/benefit costs are a major factor in the employees' decision to leave.

# Employment Market – Recruitment and Retention

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## Employer Contribution Percentage by Community

Barnstable County 75%

Brewster 75%

Chatham 65%

DY School District 60%

Falmouth 75% (HMO)

Harwich 75%

Monomoy School District 70%

Orleans 65%

Provincetown 70%

Taunton 75%

Wellfleet 65%

Bourne 75%

Cape Cod Collaborative 55%

Dennis 70% (75% for High Deductible Plans)

Eastham 75%

Fall River 75%

Mashpee 75%

Nauset School District 70%

Plymouth 80%

Sandwich 75%

Truro 70%

Yarmouth 50% (60% HMO for Public Safety)

# Current Health Insurance Contribution Plan

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- Employer/employee cost share is 50/50
- Current collective bargaining agreements (CBA) provide 6 (weekly) premium holidays for non-school CBA's and 4 (Bi-weekly) holidays for school CBA's
- Resulting effective contribution rates
  - 56.25/43.75 non-school employees (could be different in year hired)
  - 58.33/41.67 for school employees (could be different in year hired)
- Retiree group does not receive premium holidays



# Current Participation Rate and Average Cost

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- Total benefit eligible employees 1,345
- Participating employees 750
- Participation rate 56%
- Current average cost to the Town's budget per participant is \$11,224

# Budget Impact

	Employer/Employee Contribution Rates			
	Current 50/50 *	60/40 +	70/30 +	80/20 +
Current active employees participating	\$8,417,656	\$8,776,166	\$10,238,861	\$11,701,555
<b>Cost increase over current plan</b>		<b>\$358,510</b>	<b>\$1,821,205</b>	<b>\$3,283,899</b>

\* Includes cost of premium holidays for active employees

+ Eliminates premium holidays and does not include additional cost of more employees potentially participating as a result of an increase in contribution rate

**There are currently 117 vacant positions (all departments) that can impact this cost under each scenario**

# Additional Cost Considerations

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- How would participation rate be impacted by a change in the contribution rate?
  - Current average cost per participant is \$11,224
- Future premium rate increases from the CCMHG
  - FY24 rate increase of 3%; historically closer to 5% to 8% per year
  - Inflation will likely contribute to higher rate increase in the future
- Impact on Other Post Employment Benefits (OPEB) liability
  - Current liability is \$130 million
- Any change to the contribution rate for retirees and surviving spouses

# Discussion

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