

PEC Agreements Under 32B, § 19(g)

Group Insurance Commission

Advisory Bulletin 23-01: Guidance Regarding PEC Agreements

September 6, 2023

Background

Pursuant to M.G.L. Ch. 32B §11, the Group Insurance Commission (GIC) is charged with issuing information and advisory rulings on Ch. 32B, in accordance with the provisions of Ch. 30A, §8. Under that authority, the GIC issues this advisory bulletin to revise and clarify the parameters under which Municipal political subdivisions may apply premium contributions to insurance Products covered by Public Employee Committee (PEC) negotiated agreements.

Pursuant to G.L. c.32B, § 19(f), the commission determines all matters relating to subscribers' group health insurance rights, responsibilities, costs and payments, and other obligations including but not limited to, the manner and method of payment, schedule of benefits, eligibility requirements, choice of health insurance Carriers, and each Carrier's Product offerings. These matters are not subject to collective bargaining.

The Commission does not determine premium contribution ratios, which are a subject of collective bargaining.

G.L. c.32B, § 19(g) address the way premium contributions may be applied to the insurance plans that are the subject of the PEC agreement, whether provided through the Commission or through other municipal arrangements. The Commission has provided guidance since 2008, when the statute was adopted, stating that PEC agreements are only allowed to differentiate contribution ratios by plan type (i.e., HMO, POS, PPO, etc.), provided that said contribution ratios apply to all insurance plans of the same type.

Advisory Ruling

The Commission has re-examined section 19(g) and concluded that there is nothing in the statute that mandates premium contribution ratios be assigned or grouped only by plan type. The Commission rescinds its previous guidance and replaces it with this administrative bulletin.

A PEC agreement may set a premium contribution percentage for each specific insurance plan offered by the Commission, rather than only by plan type (PPO, POS, Indemnity, HMO) or network design (such as limited network Products). However, PEC agreements are not prohibited from doing so. This means that each HMO plan, for example, could have a different contribution.

Public Employee Committees now have the flexibility to assign varying contribution ratios by insurance plan, provided they are within the confines outlined in §19(g). This means that all employees enrolled in a plan shall be given the same premium contribution percentage. In other words, differentiated contributions by date of hire, bargaining unit or employment status, and type of coverage (individual/family) are prohibited. Employers are required to pay at least 50% of the total insurance premium.

As the health care environment continues to evolve, the types of plans offered today may be replaced with different designs in the future that are unanticipated at the time an agreement is negotiated. Therefore, the Commission recommends that PEC agreements provide for contingencies such as changes in plan type (e.g., a PPO changing to a POS), or changes to product offerings by insurance carriers.

The GIC reminds municipalities that it must be provided PEC agreements to the Commission under 805 CMR 801. Additionally, the Municipal Employer shall notify the Commission of any change to Municipal Insureds' premium contribution ratios no later than March 1st. Changes to contribution ratios shall be effective July 1st.