

**MEMORANDUM OF AGREEMENT
BETWEEN
THE TOWN OF NORTH ANDOVER
AND
THE NORTH ANDOVER PUBLIC EMPLOYEE COMMITTEE**

January 1, 2013 to June 30, 2019

WHEREAS, the Town of North Andover currently provides health insurance benefits to its employees pursuant to M.G.L. c32B; and

WHEREAS, the Town, by a vote of its Board of Selectmen on February 6, 2012, adopted the provisions of M.G.L. c32B, §§21 through 23, as amended by Chapter 69 of the Acts of 2011, for the purpose of implementing changes in health insurance benefits it provides to its employees; and

WHEREAS, the Town, through its Town Manager, and the Public Employee Committee (PEC) are entering into this Memorandum of Agreement to transfer the Town's employees to the Group Insurance Commission (GIC) pursuant to M.G.L. c32B, §23 effective January 1, 2014 through, at a minimum, June 30, 2019;

NOW THEREFORE, the Town and the PEC agree as follows:

1. The purpose of this Memorandum of Agreement (Agreement) is to implement changes in health insurance benefits by transferring subscribers to the GIC pursuant to M.G.L. c32B, §23. For the purposes of this Agreement, the term "subscribers" shall mean all employees, retirees, and their dependents and survivors, insured and eligible under M.G.L. c32B.
2. The Town agrees to maintain the current health plan offerings with no increase to the monthly rates that exist as of the execution of this Agreement through December 31, 2013.
3. From January 1, 2013 through December 31, 2013, the premium contributions for HMO plans for active subscribers hired on or prior to December 31, 2012, shall be those defined by the respective collective bargaining agreements. The contribution rates for non-HMO plans will be as follows:

| | |
|--------------------------------------|-------------------------|
| Indemnity Plans (Non-Medicare Plans) | 50% Town/50% subscriber |
|--------------------------------------|-------------------------|

| | |
|--------------------------------|-------------------------|
| POS Plans (Non-Medicare Plans) | 65% Town/35% subscriber |
|--------------------------------|-------------------------|

4. From January 1, 2013 through December 31, 2013, the premium contributions for active subscribers hired on or after January 1, 2013, under the existing health plans shall be as follows:

| | |
|--------------------------------------|-------------------------|
| Indemnity Plans (Non-Medicare Plans) | 50% Town/50% subscriber |
|--------------------------------------|-------------------------|

POS Plans (Non-Medicare Plans) 65% Town/35% subscriber

HMO Plans (Non-Medicare Plans) 75% Town/25% subscriber

5. From January 1, 2013 through December 31, 2013, all non-Medicare retiree subscribers (excluding RMTs) shall be grandfathered at their December 31, 2012 contribution rates for Indemnity, POS or HMO plans.
6. The Town and PEC will take all necessary and reasonable actions to effectuate the transfer of subscribers to the GIC effective January 1, 2014 and to maintain coverage thereafter for the duration of this Agreement.
7. For the duration of this Agreement, premium contributions under the GIC for active subscribers hired on or prior to December 31, 2012 shall be as follows:

Indemnity or POS Plans (Non-Medicare Plans) 50% Town/50% subscriber

PPO Plans (Non-Medicare Plans) 75% Town/25% subscriber

HMO Plans (Non-Medicare Plans) 75% Town/25% Subscriber

- 7A. Effective July 1, 2015, both the Harvard Pilgrim Independence Plan PPO and the Tufts Health Plan Navigator PPO will become POS plans. For those active subscribers hired on or prior to December 31, 2012 enrolled in either of these plans as of June 30, 2015 that remain in the respective plan subsequent to the change to a POS plan, premium contributions shall be 75% Town/25% subscriber. For those employees who subscribe to these plans on or after July 1, 2015, premium contributions shall be 50% Town/50% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who enroll in a new plan (other than a POS plan) as of July 1, 2015 may return to their previous plan as of July 1, 2016 (as a POS plan) with the premium contribution of 75% Town/25% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who subsequently dropped the Town's health insurance entirely and then re-enroll in the respective POS plan, premium contributions shall be 75% Town/25% subscriber.

8. For the duration of this Agreement, the premium contributions under the GIC for active subscribers hired on or after January 1, 2013 shall be as follows:

Indemnity or POS Plans (Non-Medicare Plans) 50% Town/50% subscriber

PPO Plans (Non-Medicare Plans) 65% Town/35% subscriber

HMO Plans (Non-Medicare Plans)

75% Town/25% subscriber

- 8A. Effective July 1, 2015, both the Harvard Pilgrim Independence Plan PPO and the Tufts Health Plan Navigator PPO will become POS plans. For those active subscribers hired on or after January 1, 2013 enrolled in either of these plans as of June 30, 2015 that remain in the respective plan subsequent to the change to a POS plan, premium contributions shall be 65% Town/35% subscriber. For those employees who subscribe to these plans on or after July 1, 2015, premium contributions shall be 50% Town/50% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who enroll in a new plan (other than a POS plan) as of July 1, 2015 may return to their previous plan as of July 1, 2016 (as a POS plan) with the premium contribution of 65% Town/35% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who subsequently dropped the Town's health insurance entirely and then re-enroll in the respective POS plan, premium contributions shall be 65% Town/35% subscriber.

9. For the duration of this Agreement, the Town shall contribute sixty-five percent (65%) of premium contributions for all Medicare eligible retiree subscribers, except for all Medicare eligible Retired Municipal Teachers who were receiving health insurance through GIC as of December 31, 2013.
10. All Medicare eligible Retired Municipal Teachers receiving health insurance through the GIC as of December 31, 2013 shall be grandfathered at their December 31, 2013 contribution rates up to and including December 31, 2014. Effective January 1, 2015, for Indemnity plans the Town will contribute seventy-five percent (75%) of premium contributions for all Medicare eligible Retired Municipal Teachers who were receiving health insurance through the GIC as of December 31, 2013.
11. For the period of January 1, 2014 through the end of this Agreement, all non-Medicare retiree subscribers receiving health insurance as of December 31, 2012 shall be grandfathered at their December 31, 2012 contribution rates for Indemnity, PPO or HMO plans offered by the GIC upon transfer, except for Retired Municipal Teachers who were receiving health insurance through the GIC as of December 31, 2013.
- 11A. Effective July 1, 2015, both the Harvard Pilgrim Independence Plan PPO and the Tufts Health Plan Navigator PPO will become POS plans. For those active subscribers enrolled in either of these plans as of June 30, 2015 that remain in the respective plan subsequent to the change to a POS plan, premium contributions shall be grandfathered at their December 31, 2012 contribution rate. For those employees who subscribe to these plans on or after July 1, 2015, premium contributions shall be 50% Town/50% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous

paragraph as of January 1, 2014 who enroll in a new plan (other than a POS plan) as of July 1, 2015 may return to their previous plan as of July 1, 2016 (as a POS plan) with the premium contribution grandfathered at their December 31, 2012 contribution rate.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who subsequently dropped the Town's health insurance entirely and then re-enroll in the respective POS plan, premium contributions shall be grandfathered at their December 31, 2012 contribution rate.

12. For the entire period of this Agreement, all non-Medicare Retired Municipal Teachers receiving insurance through the GIC as of December 31, 2013 shall be grandfathered at their December 31, 2013 contribution rates for PPO and HMO plans.

12A. Effective July 1, 2015, both the Harvard Pilgrim Independence Plan PPO and the Tufts Health Plan Navigator PPO will become POS plans. For those active subscribers enrolled in either of these plans as of June 30, 2015 that remain in the respective plan subsequent to the change to a POS plan, premium contributions shall be grandfathered at their December 31, 2013 contribution rate. For those employees who subscribe to these plans on or after July 1, 2015, premium contributions shall be 50% Town/50% subscriber.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who enroll in a new plan (other than a POS plan) as of July 1, 2015 may return to their previous plan as of July 1, 2016 (as a POS plan) with the premium contribution grandfathered at their December 31, 2013 contribution rate.

For those employees who were enrolled in either PPO plan identified in the previous paragraph as of January 1, 2014 who subsequently dropped the Town's health insurance entirely and then re-enroll in the respective POS plan, premium contributions shall be grandfathered at their December 31, 2013 contribution rate.

13. For the period of January 1, 2014 through December 31, 2014, all non-Medicare Retired Municipal Teachers receiving insurance through the GIC as of December 31, 2013 shall be grandfathered at their December 31, 2013 contribution rates for Indemnity plans. Effective January 1, 2015, for Indemnity plans the Town will contribute seventy-five percent (75%) of premium contributions for all non-Medicare eligible Retired Municipal Teachers who were receiving health insurance through the GIC as of December 31, 2013.

14. If the GIC offers any new or additional HMO, PPO, or Indemnity plans during the life of this Agreement, the same contribution percentages as described above will apply. However it is agreed that only plans offered by the GIC will be available to subscribers.

Mitigation Plan

15. The Town agrees to establish an “Employee Health Care Mitigation Fund” (EHMF), to be administered through a Health Reimbursement Account (HRA), of a sum equal to twenty-five percent (25%) of the actual first year’s total savings which is representative of the transfer to the GIC.
16. From the EHMF referenced in paragraph 15 the Town and the PEC shall establish a Health Reimbursement Arrangement. The HRA shall be administered by a third-party administrator jointly chosen by the Town and PEC. The Town and the PEC will jointly fund the 3rd party administrative fee for each year the HRA is in existence by each party paying 50% of the administrative fee. The total cost of the HRA administrative fee shall not exceed \$45,000 annually without the mutual consent of the parties. It is understood that the PEC portion of the administrative fee shall be taken from the EHMF. The Health Reimbursement Arrangement shall cease to exist as of close of business on December 31, 2015.
17. From the EHMF referenced above in paragraph 15 the Town shall provide a Medicare retiree subsidy in the amount of \$25 per month for each Medicare eligible retiree for calendar year 2016. Eligible members will be based on enrollment as of December 31, 2015. Payment will be made as a premium reduction.
18. The established Health Reimbursement Arrangement (HRA) will be available to all subscribers for the purpose of; (1) reimbursing subscribers for their actual out of pocket costs; and (2) to assist those subscribers who have extraordinary out-of-pocket co pays. The conditions and eligibility for this reimbursement are as follows:

A. ‘HRA-Part 1’ Employee Reimbursement

Both parties agree to adhere with the HRA Provider’s rules and procedures to implement and distribute reimbursements in accordance with IRS regulations and applicable laws of the Commonwealth.

The HRA shall reimburse actual out-of-pocket costs, based on actual GIC plan design, for the following:

- Outpatient Surgery Copayments – Based on actual GIC plan design
- Inpatient Hospital Admission Copayments – Based on actual GIC plan design
- High Tech Imaging Copayments – Based on actual GIC plan design

B. ‘HRA-Part 2’ High Out-of-Pocket Costs

This account will assist those subscribers who have extraordinary out-of-pocket copayments.

In the event that any one member or family has out-of-pocket costs, exclusive of deductible costs (as specified in the plan design) for covered services in a plan year, that are not

reimbursed by the HRA, that exceed \$1,000 per individual and \$2,000 per family, the HRA will provide reimbursement of 100% of the costs over \$1,000 / \$2,000 per plan year up to a maximum of \$5,000 for an individual and \$10,000 for a family plan per plan year. Both parties agree to adhere with the HRA provider's rules and procedures established by the HRA provider for reimbursements.

Balance in HRA-Part 2 will be carried forward into next plan year.

The Town and PEC agree to meet semi-annually with the HRA administrator to discuss ongoing usage, remaining funds, and to review ongoing status of the HRA.

18A. From the EHMf referenced above in paragraph 15 the Town shall provide a health insurance deduction 'holiday' for all active subscribers in the first payroll of January 2016, the first payroll of July 2016 and the first payroll of December 2016. For these three payrolls, there will be no health insurance deductions for active subscribers.

Waiting/Hiatus Period

19. New employees of the Town are eligible to enroll in health insurance offered by the GIC in accordance 805 CMR 9.01. Therefore, in accordance with 805 CMR 9.01(3), new employees of the Town are eligible to enroll in health insurance offered through the GIC within ten (10) calendar days of the first date of employment with the Town. GIC health insurance benefits begin on the first day of the month following sixty (60) days or two (2) full calendar months of employment, whichever is less. The period between the date of employment and the effective date of coverage pursuant to 805 CMR 9.01(3) is hereinafter referred to as the "Waiting/Hiatus Period." Eligibility for insurance coverage will be determined in accordance with Massachusetts General Laws and applicable regulations, including but not limited to, 805 CMR 9.01.

20. During the "Waiting/Hiatus Period," the Town shall pay a "Waiting/Hiatus Period Stipend" (Stipend) to those newly hired employees who have notified the Town within ten (10) calendar days of employment that they have chosen to enroll in one of the health insurance plans through the GIC. The amount of the Stipend will be equal to the employee's portion, up to a maximum of 80%, of the premium or cost for whichever plan the employee has chosen to enroll. To receive the Stipend, the employee must show proof of other health insurance coverage during the "Waiting/Hiatus Period," (e.g., COBRA or other alternative health insurance plan).

Newly enrolled employees/subscribers who cancel their GIC coverage within sixty (60) days of the effective date of the GIC coverage shall return the Stipend in its entirety to the Town.

21. GIC Retroactive Effective Date of Coverage: Subscribers may request retroactive coverage from the GIC in accordance with 805 CMR 9.01(4). Therefore, if a subscriber incurs an unplanned or urgent medical expense(s) during the "Waiting/Hiatus Period" that in sum exceeds the full-cost health insurance premium of the GIC's elected plan for the "Waiting/Hiatus Period", the subscriber may file a written request to the GIC for approval of health coverage to become effective on the first day of employment. Upon approval by the

GIC, coverage shall take effect as of the first day of employment. In this event, the Town shall submit the full-cost health insurance premium for the "Waiting/Hiatus Period" to the GIC in a timely manner. The employee shall reimburse the Town for the premium and any Stipend amount already received through normal payroll deductions.

22. The provisions of subparagraphs 14, 15 and 16 shall expire if and when the GIC eliminates the "Waiting/Hiatus Period" as set forth in 805 CMR 9.01.

Health Coverage after June 30, 2019

23. The transfer of subscribers to the GIC shall remain in effect after June 30, 2019, unless, pursuant to a successor Agreement executed by the parties, notice is provided to the GIC no later than December 1, 2018, that the Town will terminate its coverage with the GIC.
24. The Town Manager, or his designee, and the PEC shall commence negotiations for a successor agreement no later than July 1, 2018. To facilitate negotiations, the Town shall request specific utilization and claims data from the GIC pursuant to GIC CMR 8.05, Paragraph (29), §§a - b which shall be made available for examination by the PEC.

Severability Clause

25. If any provision or portion of this Agreement is found to be unenforceable or unlawful, the remaining provisions or portions shall remain binding.

Scope & Modification

26. This "Memorandum of Agreement" shall constitute the whole of the Agreement between the Town and the PEC. The Agreement may be modified only by a written agreement approved in the same manner as the original Agreement.

Authorization to Sign Agreement

27. Each signatory to this Agreement is authorized to bind the entity he/she represents. This Agreement assumes that all relevant collective bargaining agreements have been re-opened, and the necessary changes ratified by December 21, 2012. The PEC represents that it has the authorization and approval of a majority of the weighted votes of the PEC and that this Agreement is binding on all subscribers and their representatives.

Approved: December 18, 2012
Amended: October 16, 2014
Amended: March 17, 2015
Amended: November 30, 2015