



## Patrolmen's Benevolent Association of the City of New York, Incorporated

December 23, 2003

### **TO ALL DELEGATES AND MEMBERS**

#### **HEALTH BENEFITS AGREEMENT**

As reported in the media, the City has reached an agreement with the municipal unions concerning health benefits in this round of bargaining. I recount for you below some of the history of health bargaining in this round, provide a summary of the health modifications resulting from the agreement and set forth a comparison of the City's original positions versus the final settlement.

Given the City's dire financial condition, from the outset of this round, the City had pushed the unions for \$600 million in health benefit givebacks in bargaining. If implemented, the changes sought would have gutted our health benefits and destroyed one of the principal motivators for taking this job – exceptional health benefits. The PICA Program — a benefit that provides Psychotropic, Injectibles, Chemotherapy and Asthma medications for all City workers — many of whom suffer from serious and debilitating ailments — also would have been jeopardized. When bargaining began, several other municipal unions were advocating to agree with the City to co-premiums on our basic health benefits — a giveback that standing alone may have cost members upwards of \$700 out-of-pocket. (See note.)

To better represent our members, we put together a group of police and fire unions in order to give us the leverage to influence health bargaining – a process that typically was driven by one or two large civilian unions, often to the detriment of our members. We also commissioned our own health expert to advise the police and fire unions on health benefits in this round. And, as you know, this resulted in highly publicized disagreements between the police and fire unions, on the one hand, and most other unions, on the other. In the end, the work of our group benefited our membership and was well worth the investment of time and resources.

We believe that, partly as a result of our efforts and our very public fight, we have been able to limit, and keep to a minimum, health benefit changes in this round. Of the \$600 million sought by the City in the givebacks, zero was attained. In fact, The New York Post reported that while the City will save \$100 million under the agreement, it "will pay \$30 million to keep the workers' prescription-drug program going and another \$70 million to shore up the unions' welfare fund, meaning the taxpayers come out even." In the end, while there are some increases in co-pays and deductibles, any savings realized will be used to fund other member benefits – this at a time and in a fiscal environment that has been characterized as one of the worst in the last 30 years. Similarly, the administrative fee described below will be more than offset by the \$100 increase in welfare benefits. More importantly, there will

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continue to be a zero payroll deduction for the HIP and GHI-CBP Health Plans as well as a continuing, but better managed, PICA Program to provide for our sickest members.

The provision of the agreement, effective April 1, 2004, include:

- \$100 per member increase to the Active & Retiree Health & Welfare Funds;
- Continuation of LOD welfare fund contribution;
- Continuation of HIP mental health and alcohol rider;
- Continuation of Trust & Agency subsidies for optional riders;
- GHI Office visits and diagnostic services co-pay will increase by \$5; co-pays for specialists will go to \$20;
- Annual deductibles for the use of non-participating providers will increase from the current \$175 to \$200;
- Current hospital in-patient co-pays of \$200 will rise to \$300;
- Emergency room co-pays will rise from \$25 to \$50;
- Co-pays for psychotropic, injectable and other specialized drugs will rise from the current \$0 - \$6 to \$5, \$15 and \$35;
- All members will contribute an annual health plan administration fee of \$35, similar to other public sector plans in New York State. We are pressing that this be offset by the welfare fund increase.

Below is a line-by-line summary of the City's original proposal request of \$600 million in givebacks and the final outcome for each giveback request. The bottom line is \$600 million sought — zero giveback to the City. As mentioned above, the PBA and municipal unions achieved \$100 million in savings that will accrue each year to the Stabilization Fund that will be used solely to provide health benefits for all our active and retiree members.

**City/MLC Health Benefits Agreement**  
December 18, 2003

<b>Original City of New York Proposal to Municipal Labor Committee</b>	<b>Final Outcome</b>
1. Elimination of PICA Program	PICA PROGRAM CONTINUES
2. Elimination of Medicare Part B Reimbursement	Retiree continues to receive 100% Medicare Part B Premium reimbursement
3. Elimination of HIP-HMO Mental Health/Substance Abuse Rider	Rider continues at no cost to member

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| 4. The remaining GHI-CBP fee schedule increase referenced in the 2001 Health Benefits will not be implemented and paid to the City (\$3 million)  | City did not get \$3 million — will remain in Stabilization Fund for members' benefit   |
| 5. Institute 10% across-the-board co-premiums toward the HIP-HMO rate, as well as other health plans, for all City employees and non-Medicare retirees (upwards of \$700 out-of-pocket) | City did not get — HIP continues as a zero cost health plan option  |
| 6. Institute 10% across-the-board co-premiums toward the City's share for all Medicare retirees   | City did not get — HIP continues as a zero cost health plan option  |
| 7. Modify current CBP and Senior Care programs  |   |
| — CBP Program   | Modest changes made to co-pays and deductibles which generate savings that will accrue to the Stabilization Fund for the member's benefit. Will help fund various health benefit programs, including PICA and GHI/Blue Cross CBP Plan |
| — Senior Care Program   | Modest increase in medical deductibles and in-patient hospital co-pay   |
| 8. Cap the City's increases in health insurance contributions to the increases in the medical CPI   | City did not get — HIP/HMO continues to be the medical rate benchmark   |
| 9. The City's annual contribution to the Stabilization Fund shall be offset by the CBP Basic Program's dividends — reducing the present annual city obligation of \$35 million          | City did not get — the City will continue to fund Stabilization Fund at \$35 million per year   |
| 10. Eliminate all premium subsidies for the GHI and Blue Cross optional riders (passing increased costs on to the members with optional riders)   | City did not get — the Trust and Agency account will continue to fund optional rider increases, eliminating increases to members  |
| 11. Administrative assessment for all Health Insurance Programs for all City employees and retirees. Assessment to be paid for City Office of Labor Relations operations                | City did not get — a \$35 per member per year administrative fee will go to unions' Stabilization Fund to return \$100 per year back to each union Health and Welfare Fund  |

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| 12. Eliminate Retiree Health Insurance for Vested Pensioners                          | City did not get — benefits will continue   |
| 13. Reduce Active Welfare Fund contributions by \$200                                 | City did not get — all unions will <b>increase</b> their welfare funds by \$100 per member per year                           |
| 14. Reduce Retiree Welfare Fund contributions by 50%                                  | City did not get — all unions will <b>increase</b> their welfare funds by \$100 per member per year                           |
| 15. Elimination of the welfare fund contributions on behalf of line of duty survivors | City did not get — line of duty survivors will continue to receive City funding and benefits                                  |
| <b>Overall City Savings sought — \$600 million</b>                                    | <b>Overall City Savings achieved — \$0</b>  |
|   | <b>Overall Union Savings achieved that accrue to Stabiliation Fund for future active and retiree benefits — \$100 million</b> |

Fraternally,

Patrick J. Lynch  
President

Note: A change to the HIP/HMO rate, which is the health benefit level guaranteed to each active and retired worker by law, would have negatively impacted all health benefit plans for workers.

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