

News Release

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MTF Analysis: Savings Under Municipal Health Reform Will Far Exceed Initial Estimates

Massachusetts cities and towns are on pace to exceed by far the initial estimate of \$100 million in first-year savings under the new municipal health care reform law, according to data compiled by the Massachusetts Taxpayers Foundation.

As of February 1, at least 91 communities (Table 1) and school districts had taken steps to adopt the reform law or change their health plans through collective bargaining. Of that group:

- Nine municipalities have adopted the law and implemented health plan changes that are expected to result in \$30 million in first-year savings. Six more are expected to finalize agreements in the next month.
- 12 communities anticipate first-year savings of \$30 million from health plan changes achieved through the collective bargaining process since January 2011.
- 38 communities and school districts have voted to adopt the reform law but have not yet begun formal negotiations.
- 26 communities and school districts have scheduled votes to adopt the law.

It is clear that the reform law's first-year savings will soon surpass the \$100 million threshold; the 21 communities that have already achieved \$60 million in health plan savings represent only a fraction of the cities and towns expected to implement the reform.

"These huge savings will benefit everyone – cities and towns, municipal employees and retirees, and taxpayers. The savings will grow dramatically in the years ahead, preserving important services such as public education and public safety while avoiding the layoffs of thousands of municipal employees across the state," said Michael J. Widmer, president of the Massachusetts Taxpayers Foundation.

Municipal employees and retirees will receive almost half of the \$30 million in savings in the nine communities that have made plan changes through reform. Employees and retirees will see \$13 million in savings in two ways – reduced premiums and one-time mitigation agreements that have included Medicare Part B subsidies, premium holidays, and reimbursements for out-of-pocket expenses. Mitigation packages, which will ease the financial impact of plan changes, are determined during the 30-day negotiating period between management and employees. The total value cannot exceed 25 percent of a community's first-year savings from reform, but the mitigation benefits can be spread over several years.

Municipal administrators and employee committees in those nine communities have successfully negotiated plan changes without resorting to the law’s review process. Under the reform law, if the two sides do not finalize an agreement in the 30-day negotiating period, a three-person review panel is formed to verify that the forecasted savings are accurate and that plan changes are within the limits allowed under the law.

Since the reform was first proposed in January 2011, it has also galvanized a dozen communities (Table 2), including Boston, Medford, Newton, and Revere, to negotiate health plan changes through the traditional collective bargaining process. Those changes are expected to result in another \$30 million in first-year savings.

To date, 55 communities have voted on the reform law, and all but two – Kingston and Easton – agreed to adopt the measure. Dozens of city councils, boards of selectmen and school committees are expected to schedule votes in the months ahead.

All Massachusetts municipalities are required to calculate and report on actual or foregone savings from implementing the reform law by June 30, 2012. The Foundation will continue to track implementation of the reform and savings by communities.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization that conducts research on state and local taxes, government spending, and the economy. Founded in 1932, the Foundation has won more than a dozen prestigious national awards over the last two decades for its work on transportation reform, business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

Table 1: Implementation of Municipal Health Reform, as of February 1

| Municipality | Vote Scheduled | Voted to Adopt Reform | Engaged in 30-day Negotiating Period | Final Agreement Signed |
|----------------------|----------------|-----------------------|--------------------------------------|------------------------|
| Abington | X | X | | |
| Acton | X | | | |
| Andover | X | X | | |
| Arlington | X | X | X | X |
| Bedford | X | X | X | |
| Belmont | X | X | | |
| Beverly | X | X | X | X |
| Billerica | X | X | | |
| Boxborough | X | | | |
| Brewster | X | X | | |
| Bridgewater-Raynham* | X | X | | |
| Brockton | X | | | |
| Carlisle | X | X | | |
| Central Berkshire* | X | | | |
| Chelmsford | X | X | X | X |
| Clinton | X | | | |
| Concord | X | | | |
| Concord Carlisle* | X | | | |
| Dedham | X | X | | |

| Municipality | Vote Scheduled | Voted to Adopt Reform | Engaged in 30-day Negotiating Period | Final Agreement Signed |
|--------------------|----------------|-----------------------|--------------------------------------|------------------------|
| Duxbury | X | X | | |
| East Longmeadow | X | | | |
| Everett | X | X | | |
| Fall River | X | X | | |
| Framingham | X | X | X | X |
| Gardner | X | X | X | X |
| Georgetown | X | X | | |
| Hanover | X | | | |
| Harvard | X | | | |
| Harwich | X | X | | |
| Haverhill | X | X | | |
| Hingham | X | X | | |
| Holden | X | X | X | |
| Holliston | X | X | | |
| Lanesborough | X | X | | |
| Leominster | X | | | |
| Lexington | X | X | X | |
| Lincoln Sudbury* | X | | | |
| Longmeadow | X | X | | |
| Ludlow | X | X | | |
| Manchester | X | X | | |
| Marshfield | X | X | | |
| Martha's Vineyard* | X | X | | |
| Masconomet* | X | | | |
| Merrimac | X | | | |
| Milford | X | X | X | X |
| Millbury | X | | | |
| Nantucket | X | X | | |
| Narragansett* | X | X | | |
| Newburyport | X | X | | |
| North Andover | X | | | |
| North Attleboro | X | X | X | |
| Norwell | X | X | | |
| Orleans | X | | | |
| Pembroke | X | X | | |
| Plymouth | X | X | X | X |
| Provincetown | X | X | | |
| Ralph C. Mahar* | X | | | |
| Raynham | X | | | |
| Rockland | X | X | | |
| Salem | X | X | X | |
| Scituate | X | X | | |
| Sharon | X | X | | |
| Silver Lake* | X | | | |
| Somerville | X | X | X | X |
| Southborough | X | | | |
| Southwick Tolland* | X | | | |

| Municipality | Vote Scheduled | Voted to Adopt Reform | Engaged in 30-day Negotiating Period | Final Agreement Signed |
|---------------|----------------|-----------------------|--------------------------------------|------------------------|
| Sudbury | X | X | X | |
| Tisbury | X | | | |
| Truro | X | | | |
| Tyngsborough | X | X | | |
| Up-Island* | X | X | | |
| Wakefield | X | X | X | X |
| Webster | X | X | | |
| Wellfleet | X | X | | |
| West Boylston | X | X | | |
| Westford | X | X | | |
| Wilbraham | X | X | | |
| Winchester | X | | | |
| Yarmouth | X | | | |
| Total | 79 | 53 | 15 | 9 |

**Regional school district*

Table 2: Communities That Negotiated Health Plan Savings Through Collective Bargaining Since January 2011

| Municipality |
|--------------|
| Amesbury |
| Boston |
| Lowell |
| Lynnfield |
| Mansfield |
| Medford |
| Newton |
| Reading |
| Revere |
| Taunton |
| Westwood |
| Worcester |

A slide presentation of the reform law's implementation and expected first-year savings is available online at www.masstaxpayers.org