

Municipal Health Reform Implementation

February 8, 2012



Summary of Municipal Health Reform Law

- Allows municipalities, by vote of selectmen or city council, to adjust plan design or join the GIC with limited negotiations.
- For those municipalities that vote to adopt the law, it establishes a process for health care negotiations:
 - First, a municipality proposes specific plan changes and the savings from those changes. Municipalities and the public employee committee enter a 30-day negotiation period.
 - If no agreement is reached, a three-person panel has 10 days to:
 - confirm that the proposed co-pays, deductibles, and other plan design changes do not exceed those in the highest enrolled GIC plan,
 - confirm that the municipality's savings estimate is accurate, and
 - approve a mitigation plan that shares up to 25 percent of year one savings with employees/retirees.
- The law also requires all eligible retirees to enroll in Medicare.



The Reform Is Having An Immediate and Large Impact

- Total first year savings will be far greater than the original estimate of \$100 million statewide.
- Communities are using the reform to achieve savings in different ways:
 - At least a dozen communities have used traditional collective bargaining to negotiate health care changes since the reform was first proposed in January 2011.
 - Since July, 53 communities and school districts have adopted the new law and at least 26 more have scheduled a vote.
 - Many more communities are expected to implement the law in the fiscal 2013 budget process. All municipalities are required to calculate and report on actual or foregone savings from plan design changes by June 30, 2012.



Reform Provides Municipalities Leverage in Health Care Negotiations

- In anticipation of the new law, nearly a dozen communities, including Boston, Medford, Newton, and Revere, were able to negotiate agreements with unions to save tens of millions.
 - Boston negotiated changes that will save the city a total of \$70 million over the four-year agreement.
 - By joining the GIC, Medford expects to save \$8 million in the first year and a total of \$25 million during the six-year agreement.
 - Newton expects to save \$6 million over three years in plan design changes.
 - Revere negotiated with its union to make plan design changes that will save \$1.5 million in the first year.
- In December Lowell reached a deal outside of the law to join the GIC, saving the city nearly \$5 million in fiscal 2013.



New Agreements Will Save Municipalities and Employees Millions

- Of the 53 municipalities that have adopted the new law, nine have finalized agreements. Six more expect to do so in the next month.
- Communities and employees that have reached agreements will save a total of approximately \$30 million on premium costs during the first year.
 - Net savings to the municipalities is approximately \$17 million:
 - Arlington: \$2 million
 - Framingham: \$1.7 million
 - Plymouth: \$3 million
 - Beverly: \$1.2 million
 - Gardner: \$620,000
 - Somerville: \$5 million
 - Chelmsford: ~ \$1 million
 - Milford: \$170,000
 - Wakefield: \$2.5 million
 - Employees will see more than \$13 million in savings from reduced premium costs and mitigation.

