



Massachusetts Taxpayers Foundation

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## **ONE YEAR LATER, MUNICIPAL HEALTH INSURANCE LAW A SMASHING SUCCESS**

*Municipal officials and union leaders work together to save municipalities and employees more than \$178 million in first year*

BOSTON – One year after Massachusetts lawmakers passed legislation that reformed the municipal health insurance marketplace, municipalities and employees have saved more than \$178 million in a wave of reform that is transforming municipal health insurance and helping stabilize municipal finances after years of cutbacks and turmoil.

Municipal health insurance reform ensured that municipal retirees were enrolled in Medicare rather than local plans, and made it easier for cities and towns either to join the state's Group Insurance Commission (GIC) or to make changes to co-pays and deductibles while ensuring municipal unions an opportunity to negotiate with management. It also required municipalities to share first-year savings with employees.

According to the Massachusetts Taxpayers Foundation, at least 160 municipalities and regional school districts have taken steps since January 2011 to implement employee health insurance changes, ranging from scheduling a vote to adopt the reform law to finalizing an agreement on health plan changes with employees. **This includes a total of 127 municipalities and regional school districts that have finalized changes and expect to see total savings of more than \$178 million in the first year.**

In addition, 24 communities and regional school districts have adopted the reform law but not yet begun formal negotiations, while another nine have scheduled votes on the law.

These municipalities and regional school districts are achieving savings through both the reform law's formal process and negotiations outside of reform. Using the reform law, 77 municipalities

and regional school districts have negotiated nearly \$78 million in first-year savings, with approximately \$35 million of that being shared with employees. At least another 50 relied on traditional collective bargaining to negotiate health plan changes that will save upwards of \$100 million in the first year.

The July 2011 reform caps a multi-year effort by The Boston Foundation, Massachusetts Taxpayers Foundation, the Massachusetts Municipal Association (MMA), the Metropolitan Area Planning Council (MAPC) and many other groups to provide municipalities more control over their soaring employee health insurance costs. For example, 33 municipalities have joined the Group Insurance Commission and Peabody recently signed an agreement to join next year next year.

In Greater Boston, a map of health insurance reform in the region released today by the MAPC shows the enormous progress of reform: **at least 73 of the 101 cities and towns in the MAPC region have implemented health insurance reforms.**

Some examples:

- **Salem** adopted the new health insurance reform law in 2011 and then reached an agreement with its unions to enter the GIC. The agreement is expected to save the city approximately \$1.3 million in its first year.
- In 2011, **Somerville** adopted the new law but ultimately came to an agreement to join the GIC through coalition bargaining under the old law. The city is expected to save \$9 million in the first year of the agreement.
- In 2011, prompted by the impending passage of the new law, **Revere** reached an agreement with employees to adjust their health plans that will result in first-year savings of approximately \$1.5 million.
- In 2012, **Chelsea** reached an agreement with employees outside of the new law. First-year savings of \$1.3 million are expected as a result of the changes.
- After adopting the new reform law in February 2012, **Littleton** reached an agreement to make significant plan design changes in March 2012. First-year savings of more than \$315,000 are expected.
- In 2012, after adopting the new law, **Framingham** reached a plan design agreement with expected first-year savings of almost \$3 million.
- Mayor Thomas M. Menino has said that municipal health insurance reform would save **Boston** more than \$26 million in the coming year – funds he intends to use for hiring new teachers and public safety workers.

“The promise of municipal health insurance reform is being fulfilled,” said Joel Barrera, Deputy Director of the Metropolitan Area Planning Council (MAPC). “The bottom line is that municipalities and often employees are saving tens of millions of dollars, jobs are being saved, and services are being preserved.”

“For years, municipal health insurance costs have been crowding investments in our classrooms and public safety,” said Paul Grogan, President of The Boston Foundation, which helped lead the reform effort over several years. “The cooperative efforts of municipalities and employees since the passage of the reform law have started to turn that tide – saving millions of dollars for critical community services in a time when every dollar counts.”

“The statewide savings from municipal health reform have dramatically exceeded all expectations,” said Michael Widmer, President of the Massachusetts Taxpayers Foundation. “The rapid rate at which municipalities have adopted the reform demonstrates how important these savings are in preserving basic services for residents in every region of the state.”

“Municipal health care reform has changed the way cities and towns negotiate their health insurance plans and helped municipalities stem the rising costs of municipal health insurance to save jobs,” said Secretary of Administration and Finance Jay Gonzalez. “The successful implementation of this reform is a testament to Patrick-Murray Administration’s long standing commitment to providing cities and towns with cost saving measures that have supported the continued delivery of critical local services.”

“Teachers and other public employees deserve a huge amount of credit for negotiating changes in their health insurance benefits that have led to substantial savings under the new municipal health insurance law,” said President of the Massachusetts Teachers Association Paul Toner. “It is very important to us that the new system offers protections for retirees and for employees who have high out-of-pocket medical expenses.”

“Soaring health care costs aren’t the only reason municipal budgets remain under stress, but they’re certainly a major factor. That’s why we’re so grateful for the hard work of the Patrick Administration and the Legislature’s leadership team in hammering out a workable approach that allows cities and towns to transition into the GIC,” said Somerville Mayor Joseph Curtatone, Chairman of the Metro Mayors Coalition. “Here in Somerville, joining the GIC means we save almost \$9 million in year one alone. That level of savings has made it possible for us to maintain core services even as state aid continues to flat-line. This will still be a tough budget season, but without the health reform it would have been much, much worse.”

“Last year’s health reform law had the most dramatic impact on municipal finances of any reform in a generation,” said Chelsea City Manager Jay Ash, who is Vice Chairman of the Metro Mayors Coalition. “It took political courage to make this kind of change, but the results in savings to both municipalities and most employees, the public sector jobs that we were able to preserve, and the cooperative spirit between labor and management speak for themselves.”

A large coalition worked for many years to achieve municipal health insurance reform, including MAPC, The Boston Foundation, the Massachusetts Taxpayers Foundation, the Metro Mayors Coalition, the Massachusetts Municipal Association, The Boston Municipal Research Bureau, Stand for Children and others. The reform effort built upon previous changes developed collaboratively by municipal officials and labor leaders.

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