

News Release

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MTF Recommendations: Saving \$1 Billion in Unaffordable Health Care Costs at the MBTA

The Massachusetts Taxpayers Foundation today unveiled a blueprint for the MBTA to save more than \$1 billion in spending on health benefits over the next 20 years.

The report, *MTF Recommendations: Saving \$1 Billion in Unaffordable Health Care Costs at the MBTA*, makes six recommendations to bring MBTA health benefits into line with those provided state employees and which could be implemented by July 1, 2009. Achieving immediate savings is essential as the T faces a staggering \$160 million budget deficit in fiscal 2010 in part because of extraordinarily generous pension and health care benefits that far exceed the norm in the public and private sectors.

The Foundation's recommendations would provide much larger and more immediate health care savings than the provisions included in the Governor's and Senate's transportation reform proposals. The Senate legislation passed last week would produce no short term savings and uncertain savings over the long term, falling dramatically short of the recommendations of the Transportation Finance Commission.

The Foundation's report recommends the following:

- Base the MBTA's premium contribution on the HMO plans' rates with employees and pre-65 retirees responsible for paying the difference for the higher-priced PPO plan

By contributing 85 percent of premium contributions for both HMO and PPO plans, the MBTA creates a perverse incentive for employees and retirees to select the PPO plan that costs the T roughly 30 percent more than the HMO plans. This is a particular issue for the large number of under-65 retirees who make no premium contributions, 80 percent of whom select the very expensive PPO plan. Requiring all employees and pre-65 retirees to pay the difference in plan costs between the HMO and the PPO would save \$20 million annually and \$400 million over 20 years.

- Adjust benefits so that plan design is comparable with plans for state or federal employees

With virtually no member cost sharing, the MBTA's health benefits are among the most generous offered in the Commonwealth. Bringing MBTA cost sharing provisions in line with the state Group Insurance Commission or the federal government's employee health benefits plan provided to over 120,000 Massachusetts workers would save between \$68-\$100 million (state) or \$300-\$400 million (federal) over 20 years.

- Require retirees to pay 15 percent of premiums

Almost all MBTA retirees receive free health care while GIC retirees pay 15 percent of the premium. Bringing MBTA retiree payments in line with the GIC would save up to \$150 million over 20 years.

- Introduce select or tiered network health plans

Unlike the GIC, the MBTA does not offer select or tiered network plans even though all of the MBTA's current carriers – Tufts Health Plan, Harvard Pilgrim Health Care, and BCBS-MA – offer lower premiums and/or lower point-of-service costs when members use a subset of providers. Tiered network health plans would save the T \$100 million over 20 years.

- Improve benefits management

At \$58, the MBTA pays nearly 40 percent more per average subscriber in “administrative service only” fees than the GIC. Closer attention to its health benefits program along with streamlining plan offerings and better management of the plan's pharmacy benefits would save between \$60 and \$100 million over 20 years.

- Eliminate reimbursement for retirees' share of Medicare Part B premiums

Retirees eligible for Medicare are required to enroll in Medicare Part B which is paid by the MBTA through an increase in the retirees' monthly pension check. Bringing this policy in line with the state GIC would save the MBTA \$60 million over 20 years.

The Massachusetts Taxpayers Foundation is a nationally recognized, nonprofit research organization working to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. Our credibility is based upon independent, objective and accurate analysis of state and local spending, taxes and the economy. Over the past decade the Foundation has won a dozen national awards for research on business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

The full report is available at www.masstaxpayers.org

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