



Massachusetts Taxpayers Foundation

June 9, 2010

The Honorable Steven C. Panagiotakos
Chair, Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

The Honorable Charles A. Murphy
Chair, House Committee on Ways and Means
State House, Room 243
Boston, MA 02133

Dear Senator Panagiotakos and Representative Murphy:

I am writing to express the Massachusetts Taxpayers Foundation's serious concerns with the Senate budget provision seeking to address the costs of municipal health insurance.

We recognize that the proposal is a good faith attempt to produce an acceptable compromise. However, it is so deeply flawed that it should not be included in the final budget unless it is dramatically improved.

The financial problems facing cities and towns are so serious – with further large cuts in local aid in fiscal 2012 a virtual certainty – and the escalating costs of health insurance are such a major part of the problem, and the solution, that this issue must be addressed in a direct way, which the Senate proposal does not.

The major flaw in the Senate provision is that municipalities are guaranteed only 25 percent of the savings. This is a totally inadequate response to the fact that municipal health insurance costs have grown from 6 percent of municipal budgets in 2001 to 14 percent today and a projected 20 percent by 2020.

To put this in perspective, local aid is being cut by \$160 million in fiscal 2011 with the opportunity for \$100 million in health care savings statewide. The Senate proposal would achieve only \$25 million in savings, a mere 15 percent of the local aid reduction.

Relying on an outside arbitrator to determine how 50 percent of the savings are to be distributed is a major and unnecessary complication. The process is expensive, cumbersome, time consuming, and in the end not likely to produce the necessary savings for municipalities. The recent Boston firefighters' award is a perfect example of how egregious binding arbitration decisions can be to fiscally struggling communities. Elected officials who are responsive to the voters, not unaccountable arbitrators, should have the say over health plans for their communities. Giving the local legislative body the power to reject the decision by a two-thirds vote is a weak protection since such a vote would merely mandate that the entire process begin once again.



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The requirement for coalition bargaining places further unnecessary restrictions on a community's ability to manage health care costs. In fact, coalition bargaining could well lead to higher costs down the road.

In these dire fiscal times, is there any legitimate reason why municipalities should not have the same rights to manage their health care expenditures as the Group Insurance Commission does for the state, especially since the Senate proposal appropriately guarantees that municipal employees and retirees receive coverage that is at least as generous as plans offered by the GIC? The GIC can make changes to health plans outside of collective bargaining and with no provision for binding arbitration, and 100 percent of the savings go to the state.

For the sake of compromise, it may be reasonable to set aside 25 percent of the savings for employees and retirees to offset their increased costs of co-pays and deductibles. However, it is important to note that employees and retirees will also reap savings from slower growth in health insurance premiums.

The choice is clear – give cities and towns the tools to manage their health plans and save thousands of jobs, or preserve some form of collective bargaining and guarantee that these teachers and public safety workers will lose their jobs. Potential savings from health care alone dwarf savings from the entire package of “municipal relief” proposals passed by the House and Senate.

We urge you to reject the Senate proposal and take decisive action to provide real relief to municipalities. It is essential that cities and towns be given unfettered powers over health plan design, consistent with the state, in order to protect municipal jobs and services.

Sincerely,

Michael J. Widmer
President

cc: Senate President Therese Murray
House Speaker Robert A. DeLeo
Senator Stephen M. Brewer
Senator Michael R. Knapik
Representative Barbara A. L'Italien
Representative Robert S. Hargraves