

News Release

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Municipal Health Reform Savings Surpass \$100 Million Mark

Implementation of the 2011 municipal health reform law is vastly surpassing expectations as 102 Massachusetts communities have negotiated agreements with employees that will generate \$117 million in first year savings, according to a new analysis released today by the Massachusetts Taxpayers Foundation. The original first-year savings estimate of \$100 million statewide will be dwarfed as more communities implement changes throughout 2012.

As of May 23, at least 141 municipalities and regional school districts have taken steps to adopt the reform law or use traditional collective bargaining to achieve savings on employee and retiree health insurance.

- 74 municipalities and school districts have reached agreements with employees to implement health plan changes, totaling nearly \$75 million in savings, following the reform law's process. These savings will be shared almost equally between municipalities and employees; employees will save approximately \$34 million during the first year from reduced premium costs and mitigation packages. The one-time mitigation packages, which may total up to 25 percent of the estimated first-year savings, are negotiated between a municipality and employees to ease the financial burden of the transition to new plans.
- 28 communities anticipate first-year savings of \$42 million from health plan changes negotiated through traditional collective bargaining, including 16 communities that finalized agreements after the reform law was signed and a dozen cities and towns that did so in anticipation of the law.
- At least five more cities and towns are in negotiations and are expected to finalize agreements within 30 days. Twenty-four communities have adopted the reform law but have not begun formal negotiations, and another 10 have scheduled votes on the law.

Of the 102 communities that have reached agreements, 90 have remained with their existing plans, in many cases mirroring the copays and deductibles offered by the state's Group Insurance Commission (GIC). Only 12 have decided to join the GIC.

Since the law was signed last July, 112 municipalities and school districts have formally accepted the reform law and only four communities have voted against the reform: Brockton, Easton, Kingston, and West Springfield.¹

Only one community—Falmouth—turned to the outside review panel included in the statute. The three-person panel’s main responsibility was to finalize a mitigation plan using up to 25 percent of the total first-year savings. The panel reached an agreement quickly which allowed Falmouth adequate time to implement changes for fiscal 2013.

The Foundation recently received the Outstanding Policy Achievement award from the national Governmental Research Association (GRA) for its role in achieving municipal health reform.

¹ The 112 communities include the 74 that have finalized agreements under reform, five that are in negotiations, 24 that have adopted the law but not begun negotiations, and nine that adopted the reform law but reached agreements through traditional collective bargaining.