

News Release

For Immediate Release

July 19, 2005

MTF Report: Municipalities Need Greater Powers to Address Skyrocketing Health Costs

Health insurance costs for municipal employees in Massachusetts have skyrocketed by 63 percent between 2001 and 2005, according to a report released today by the Massachusetts Taxpayers Foundation.

The report, *A Mounting Crisis For Local Budgets: The Crippling Effects of Soaring Municipal Health Costs*, is based on a survey of 32 cities and towns across the Commonwealth conducted in cooperation with the Massachusetts Municipal Association.

Overall, the increase in health costs in the 32 communities during these four years consumed approximately four out of every five dollars of the 2.5 percent annual growth in taxes on existing properties allowed under Proposition 2 ½. For a significant minority of the surveyed communities, increases in health care costs outpaced allowable tax growth. While health costs jumped 63 percent, municipal budgets increased only 15 percent and cherry sheet local aid declined one percent.

Michael J. Widmer, President of the Massachusetts Taxpayers Foundation, said, “The state’s leaders urgently need to take action to give municipalities greater flexibility to address the crisis of soaring employee health costs, which in combination with local aid cuts is having a dramatic impact on local finances and services.”

Unlike the state, at the local level virtually every element of employee health coverage is subject to collective bargaining. The report makes several recommendations to give local officials greater control over the design of health plans and the establishment of employee contributions, including:

- Allowing local legislative bodies to set health insurance contribution rates and give local officials the authority to negotiate changes in health plans with individual unions, as recommended in Senate President Travaglini’s health care proposal.
- Remove health insurance plan design at the local level from the collective bargaining process and establish a process similar to the Group Insurance Commission at the state level, along the lines recommended by Governor Romney.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization that conducts research on state and local taxes, government spending, and the economy. Founded in 1932, MTF ranks among the largest and most effective organizations of its kind in the country. The Foundation has won eight prestigious national awards in recent years for its work on business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

####