

First Comprehensive Report on Savings from Municipal Health Reform

Data shows potential for savings of \$250 million statewide, more than double any and all savings estimates.

\$205 million in savings achieved

Since Governor Patrick proposed municipal health reform in January 2011, 204 municipalities and regional school districts came to agreements with employees, either by using the new reform process or negotiating outside of the reform, achieving over \$200 million in premium savings.

- 165 municipalities (47 percent) took action to address health care costs, saving over \$193 million in total premium costs.
- 39 regional school districts (46 percent) took action to address health care costs, saving over \$12 million in total premium costs.

Potential for nearly \$50M more in first year savings

70 entities (56 municipalities and 14 regional school districts) that did not take action reported maximum possible savings totaling \$45 million if they had used the reform process to the fullest extent possible.

Potential for nearly \$2.8B in cumulative savings by FY2022

According to the Massachusetts Taxpayers Foundation, this reform could produce as much as \$2.8 billion in cumulative savings over 10 years if implemented by all communities and school districts.

Municipal Health Insurance Reform

On July 12, 2011, Governor Patrick signed municipal health care reform legislation that is providing significant and immediate savings to cities and towns, while preserving a meaningful role for employee unions in the process and protecting health care quality for retirees and municipal employees. Local governments now have the choice of using a new, expedited process under the reform legislation to implement changes to existing local health care plan design or join the state's health insurance pool, the Group Insurance Commission (GIC). Local governments may share up to 25 percent of first-year savings with employees ("mitigation"). This reform is one of the most significant measures to assist cities and towns in the past 30 years.

More than a year later, local governments have far exceeded all anticipated savings estimates. The successful implementation of municipal health care reform has achieved real results and substantial savings for cities and towns across Massachusetts to help preserve essential local government jobs and services.

Great results in first year of reform: Use of municipal health care reform in its first year

81 cities, towns, and school districts completed the new reform process.

- 74 implemented changes to their local plan offerings.
- 7 joined the GIC.
- See Appendix A for listing of savings reported by municipalities and regional school districts.

The resulting changes to employee health plans or joining the Group Insurance Commission (GIC) produced \$70 million in total premium savings for employers and employees.

- Employers and employees share almost equally in the nearly \$70 million in reform savings after accounting for sharing of savings with employees through mitigation programs in addition to direct employee premium savings.

The reform process' review panel closure mechanism has only been needed in one municipality (Falmouth).

- The other 80 cities, towns, and regional school districts and their employees reached agreement during the reform's 30-day negotiation phase.

Even more savings achieved through traditional bargaining inspired by reform option

In addition, 122 cities, towns, and school districts have used the new law as leverage to negotiate health plan insurance changes with local unions without actually adopting the reform, yielding more than \$137 million in total premium savings for employers and employees in the first year.

- 113 made changes to their local plan offerings or contribution rates.
- 9 joined the GIC.
- See Appendix B for listing of savings reported by municipalities and regional school districts.

Local government participation in GIC reaches landmark

Since the new reform was made law, an additional 16 cities, towns, and school districts agreed to join the 27 cities, towns, and school districts already in the GIC.

- The GIC now has over 45,000 municipal subscribers, triggering the addition of a second municipal representative and an additional labor representative to the Commission.

Data Notes

Data for this report was self-reported by local governments and has not been independently verified.