

News Release

For Immediate Release

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MTF Analysis Shows Huge Savings for Cities and Towns Under Health Plan Design Approved by the House

The Massachusetts Taxpayers Foundation released today a community-by-community analysis quantifying the dramatic impact of municipal health care reform on municipal budgets and jobs. According to the analysis, cities and towns in the state have sacrificed hundreds of millions of dollars and thousands of jobs in the last decade because local officials have had limited authority to manage their exploding growth in health insurance costs.

By comparing each community's actual health insurance spending to what spending would have been if it matched the annual growth of the state's Group Insurance Commission (GIC)—which can adjust plan design outside of collective bargaining—the Foundation determined that more than \$3 billion in savings could have been achieved statewide had municipalities been granted plan design authority in 2001, equivalent to approximately 6,500 municipal jobs statewide (at \$50,000 per job per year).

The analysis includes two ways to view the data: by municipality and by Senate district. Policymakers and residents can access information for all but one of the state's 351 municipalities (data was not available for New Ashford) and for each of the state's 40 Senate districts.

More than 90 percent of Massachusetts cities and towns saw health insurance costs grow at much faster rates than the GIC's average increase of 6.4 percent per year between fiscal years 2001 and 2010. Every Senate district would have realized at least \$10 million in savings over that period.

"With cities and towns facing another year of cuts in local aid, it is critical that municipalities be given the same powers as the state to manage their unaffordable health care costs," said MTF President Michael J. Widmer. "Without this modest reform, cities and towns across the state will suffer irreparable damage as they are forced to lay off more and more teachers, police officers, firefighters, and other local employees who provide critical public services."

Savings in Selected Communities

Municipality	Total Savings FY 2001 to FY 2010 (in millions)	Average Annual Savings (in millions)	Foregone Municipal Jobs (based on annual savings)
Agawam	\$17.3	\$1.7	35
Arlington	\$54.0	\$5.4	108
Bellingham	\$22.9	\$2.3	46
Boston	\$260.1	\$26.0	520
Fall River	\$48.2	\$4.8	96
Framingham	\$50.8	\$5.1	102

Municipality	Total Savings FY 2001 to FY 2010 (in millions)	Average Annual Savings (in millions)	Foregone Municipal Jobs (based on annual savings)
Gardner	\$8.1	\$0.8	16
Lynn	\$85.5	\$8.5	171
Marshfield	\$8.1	\$0.8	16
Milton	\$13.9	\$1.4	28
North Andover	\$35.6	\$3.6	71
Orange	\$8.3	\$0.8	17
Peabody	\$20.7	\$2.1	41
Westfield	\$23.8	\$2.4	48
Worcester*	\$55.5	\$6.2	123

**Worcester did not report data for fiscal year 2001, so numbers are based on fiscal years 2002 to 2010.*

Last month, the House approved municipal health reform legislation that would provide local officials the ability to make modest changes in health insurance outside of collective bargaining, bringing critical relief so municipalities can preserve jobs and services. Under the House plan, municipal employees would continue to receive excellent health care and still retain more bargaining power than state employees.

Methodology

The Foundation's analysis is in an Excel file, with two separate tabs to view data either by municipality or by Senate district. Each tab has the same five data points:

- **Actual Total Spending:** The total expenditures of each community on health insurance between fiscal years 2001 and 2010. This data is reported by each municipality annually to the Division of Local Services of the Department of Revenue.
- **Total Spending if Increased by 6.4% Annually:** The amount each community would have spent if health insurance increased at the GIC's rate of 6.4 percent annually between fiscal 2001 and 2010.
- **Total Potential Savings:** The savings is the difference between a community's actual total spending and what it would have spent if its health insurance costs grew at 6.4 percent annually.
- **Average Annual Savings:** The community's average annual savings, determined by dividing the total savings by the number of years that the municipality reported data.
- **Estimated Jobs Lost per Year:** The average annual savings divided by \$50,000. This demonstrates how many positions communities have potentially sacrificed by not having the authority to manage their health plans.

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, the Foundation has won a series of prestigious national awards over the last decade for its work on business costs, capital spending, state finances, MBTA restructuring, government reform, and health care.

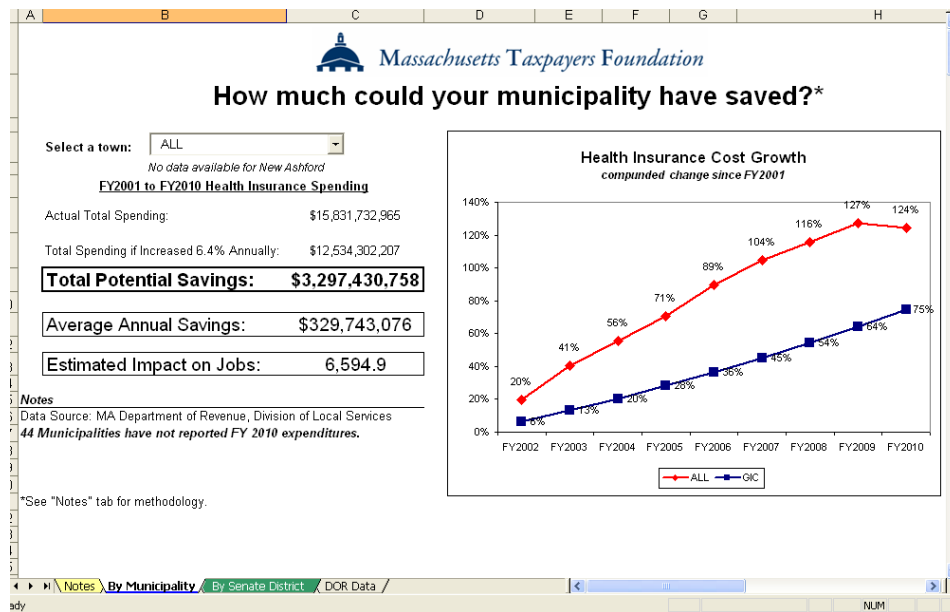
The full analysis is available online at www.masstaxpayers.org.

How to Use the File

To view the data, select either the “By Municipality” or “By Senate District” tab, which includes a dropdown menu listing the 350 communities or 40 Senate districts, respectively. Choose any single municipality or Senate district to display the specific data.

In the municipal view, the five data items appear on the left-hand side of the screen. A chart comparing annual growth rates is on the right-hand side.

“By Municipality” Tab



In the Senate district view, the five data items appear in the center of the screen. The total savings, annual savings, and estimated impact on jobs for each town are listed below these data points. Scroll down to find each municipality that falls within the Senate district.

“By Senate District” Tab

