Massachusetts Taxpayers Foundation

News Release

333 WASHINGTON STREET
BOSTON, MA 02108-5170
617-720-1000
FAX 617-720-0799

For Immediate Release June 14, 2011

MTF Analysis: Enhanced Retiree Benefits Would Undercut Municipal Health Reform

Dozens of communities across the state would lose the benefits of municipal health care reform under the Senate's provision requiring that municipal contributions for retirees be the same as for active employees, according to a preliminary analysis by the Massachusetts Taxpayers Foundation. The Foundation has identified 50 municipalities and regional school districts that would be impacted, with that number likely to be as high as 100 when all communities have been analyzed.

The 50 municipalities, listed in Table 2, are scattered throughout the state, ranging from small towns like Williamstown and Salisbury to larger municipalities like Westfield and Natick. The majority of the 50 communities currently contribute 50 percent of retiree premiums, and many would have to increase their share to 70 percent or more. The resulting increases in municipal costs for retiree health care would range from 6.7 percent in Harvard to 60 percent in Bellingham, Charlton, Dedham, Lancaster, and Norwell, consuming much—if not all—of the savings from municipal health reform.

Even those communities that have identical contribution rates today would have their hands permanently tied in controlling unaffordable retiree health costs under the Senate provision that was not part of the original Senate Ways and Means proposal but was included in a Senate amendment. Since virtually no community in the state can pay for its current retiree health care liability, limiting the ability of local officials to make changes in the future will send cities and towns into a permanent spiral with ever deeper cuts in critical local services such as schools and public safety.

In a detailed analysis of the costs of the Senate's proposal in 16 communities, the Foundation found that many would face an immediate increase of hundreds of thousands of dollars in retiree health care costs. As shown in Table 1, the town of Chelmsford would pay an additional $582,000 for retiree health care for just one year, and the costs would grow each year thereafter. Nine more communities would face additional retiree health care costs of more than $250,000 in the very first year.

Table 1: Impact of Senate Amendment on Retiree Health Costs[1]

Municipality	Current Municipal Share	Share Under Senate Provision*	Additional Municipal Cost for Retirees (Year 1)
Ashland	50%	75% Ind/ 83% Fam	$450,000
Barnstable (spouses only)	0%	50%	$60,000
Bellingham	50%	80%	$264,764
Braintree	50%	58.5%	$196,400
Charlton	50%	80%	$70,000
Chelmsford	60%	69%	$582,859
Dedham	50%	80%	$270,958
Dover	50%	60%	$46,200
Foxborough	50%	70%	$359,000
Greenfield	60%	70%	$165,000
Longmeadow	50%	60%	$470,000
Medway	50%	75%	$309,000
Seekonk	50%	66%	$366,224
Shrewsbury	50%	65%	$129,290
Walpole	50%	75%	$340,000
Wellesley	50%	67%	$400,000

*The Senate amendment requires that the municipal share of retiree health care premiums be at least equal to the average municipal share of the most expensive and least expensive active employee plans.

The Foundation emphasizes several additional points in urging Senate and House conferees to reject the Senate provision:

- The Senate version would fall well short of the estimated $100 million in first-year savings for cities and towns because of the costs for increased retiree contributions. Since the $100 million in savings would grow dramatically over time, this shortfall in savings would increase commensurately as well.

- By placing additional obligations on communities, the Senate amendment runs directly counter to the entire purpose of the municipal health reform legislation—to give municipalities greater flexibility to control their soaring health costs.

- Municipalities urgently need to address their unaffordable retiree health care liabilities as described in the Foundation's recent report, *Retiree Health Care: The Brick That Broke Municipalities' Backs*. The Senate amendment flies in the face of that reality, adding to the burden for a substantial fraction of Massachusetts communities and limiting the ability of all cities and towns to address an obligation that is beyond the ability of local taxpayers to pay for without decimating basic services.

- In tying retiree contributions to active employee contributions, which are negotiated through collective bargaining, the Senate amendment takes a huge step backwards by further constraining the ability of local officials to manage retiree health care liabilities.

[1] Based on data provided by each community.

Table 2: Communities Impacted by the Senate's Retiree Contribution Provision

Municipality	Average of Most & Least Expensive Plans	Minimum Municipal Share for Current Retirees**
Ashland	75% Ind/ 83% Fam	50%
Ayer	75%	50%
Barnstable (spouses only)	50%	0%
Bellingham	80%	50%
Boxborough	63%	50%
Braintree	58.5%	50%
Brewster	75%	50%
Central Berkshire RSD	80%	75%
Charlton	80%	50%
Chatham	70%	50%
Chelmsford	69%	60%
Cohasset	89% Ind/ 61% Fam	50%
Dedham	80%	50%
Deerfield	65%	50%
Deighton	75%	60%
Dover	60%	50%
East Hampton	75%	50%
East Longmeadow	60%	50%
Foxborough	70%	50%
Granby	74% Ind/ 64% Fam	50%
Greenfield	70%	60%
Groton	65%	50%
Harvard	80%	75%
Hopkinton	85% Ind/ 75% Fam	50%
Hull	75%	50%
Lancaster	80%	50%
Lenox	78%	70%
Leverett	75%	50%
Longmeadow	60%	50%
Medway	75%	50%
Natick	70%	50%
Nauset RSD	70%	50%
Needham	63%	50%
North Middlesex RSD	73%	50%
Norwell	80%	50%
Salisbury	75%	50%
Scituate	61%	50%
Seekonk	66%	50%
Sherborn	65%	50%

Municipality	Average of Most & Least Expensive Plans	Minimum Municipal Share for Current Retirees**
Shrewsbury	65%	50%
Southborough	75%	50%
Stow	60%	50%
Sudbury	67.5%	50%
Tyngsborough	60%	50%
Walpole	75%	50%
Wayland	65%	50%
Wellesley	67%	50%
Wellfleet	65%	50%
Westminster	75%	50%
Westwood	55%	50%
Williamstown	65%	53%

**Some communities contribute at higher rates for certain retiree groups and/or plans. At least one group and/or plan is subject to the minimum contribution share listed in this column.

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 more than a dozen prestigious national awards over the last decade for its work on business costs, capital spending, state finances, MBTA restructuring, government reform, and health care.

*****