



City of New Bedford
Jonathan F. Mitchell, Mayor

City of New Bedford
Office of the Mayor
Contact: Jonathan Carvalho
(508) 979-1410
jcarvalho@newbedford-ma.gov

Date: January 3, 2018
For Immediate Release

P R E S S R E L E A S E

Mayor Mitchell and Councillors Push To Rein In Employee Health Insurance “Budget Buster”

Citing growing budget pressure and recent tax increases, officials want greater flexibility to negotiate with unions changes to health insurance plans

New Bedford, Massachusetts--Mayor Jon Mitchell, joined by several City Councillors, today again called for the City of New Bedford to make use of a 2011 state law that gives municipalities the ability to more effectively negotiate health insurance plans with local public employee unions.

The Mayor announced that he would be filing a request for the City Council approval necessary to begin using the 2011 state law. Under the current process, local public employee unions can simply refuse to negotiate any benefit changes with the City with no immediate consequences. The new process created by the 2011 law would provide for a neutral arbitrator to determine benefit changes if the City and unions cannot reach an agreement.

The rapidly rising cost of providing health insurance to city employees has become a front-burner issue, with proponents, including the Mayor, citing the pressure on the city budget and recent tax increases as the reason for continued focus on employee healthcare.

Calling employee health insurance a “budget buster,” Mayor Mitchell described the rapid growth in costs and the tremendous pressure on the city budget and tax levy:

“A host of budget figures makes it clear that the current situation is not sustainable. We need to be able to make reasonable changes to the way we provide our health insurance benefits to employees, and the current process is not allowing us to make that happen.”

The Mayor added, “Nearly every community in Southern Bristol County has voted in favor of using the 2011 law to better manage their healthcare costs. New Bedford should be taking advantage of the same management tool that other communities are using appropriately and with no controversy. In fact, as elected officials, I think we have a clear obligation to our taxpayers to be doing the same here.”

Among the figures cited by the Mayor:

The cost of healthcare for city employees is up 22%, or nearly \$8 million since 2012 (\$35,171,429 spent in FY12 to \$43,000,000 budgeted in FY18).

The cost of healthcare for city employees has gone up by more than \$1 million each year for the past seven years.

This year (2018) the city increased the tax levy by \$5.9 million, and the budget’s healthcare line item required a \$3.5 million increase.

The City’s share of the employee health insurance program increased from \$37.4 million in FY 2016 to \$40.3 million in FY 2017, an increase of nearly 8%. The City’s share of the health insurance program in FY 2018 increased by another 7%.

The health insurance line item now comprises approximately 14% of the entire General Fund budget.

The City’s health insurance expenses have increased by roughly 50% over the past ten years.

Background

The City Council has already approved two important healthcare reforms by accepting in 2007 MGL Chapter 32B, Section 19, which established the Public Employee Committee (PEC) consisting of representatives from the City’s unions; and accepting in 2016 Section 20, which established the OPEB Trust Fund.

The State Legislature enacted Sections 21-23 in 2011, to provide municipalities with the ability to more effectively negotiate changes to health insurance plans.

Sections 21-23 establish a mandatory process to allow localities to implement benefit design changes after negotiating with the PEC.

Sections 21-23 provide for a neutral arbitrator to determine the outcome if both sides are unable to come to an agreement.

Sections 21-23 also direct 25% of the total savings from any benefit changes toward employees and retirees so they are assured to benefit from the changes.

The experience of nearby communities indicates that taxpayers could see substantial savings from health plan redesign. It begs the question of why New Bedford hasn’t also adopted the provision.

Jurisdictions in the immediate vicinity have reported annual savings of anywhere from \$190,000 in Acushnet to \$3.7 million in Fall River, with most in the range of \$500,000-\$900,000.

The City has repeatedly attempted to engage with the PEC to identify consensus solutions, but with no success, because the PEC currently has no incentive to agree to a more efficient health care program. Union representatives can simply refuse to negotiate benefit changes with the City with no immediate consequences.

For example, the city proposed reasonable savings measures in 2016, and the PEC rejected these measures.

The savings measures would have reduced the FY18 budget by about \$1 million and have taken considerable pressure off the tax levy.

In fact, the recent reforms that the PEC rejected would have reduced the recent tax increase on residents and businesses by nearly 20%.

The City has made multiple attempts to engage the PEC, but no progress has been made toward adopting any changes.

It is incumbent upon the City's elected officials to look out for taxpayers and take the necessary steps to institute commonsense reform.

The Administration is therefore submitting an order to the City Council to accept Sections 21-23, which would allow the City to implement health plan redesign beginning in 2019. This measure will require both sides to negotiate in good faith and develop a program that meets everyone's needs.

Frequently Asked Questions

#1 Why can't the city just switch health insurance providers to save money?

Switching providers sounds like an easy fix, but is really no solution at all.

Some have suggested switching health insurance providers could be a fix. The City, in fact, switched providers in 2015 and costs have continued to climb steadily. This is because the choice of a plan provider does not impact any of the direct costs of benefit plans offered to city employees.

In any case, a switch of providers wouldn't happen for at least two years. Meanwhile, costs would continue to rise and pressure on the tax levy would increase. The City is in the third year of a provider contract with Blue Cross Blue Shield that will last until Dec. 31, 2019.

The City always assesses its provider options at the end of a contract period. Therefore, it's not accurate and misleading to suggest that the usual assessment of a city's plan provider somehow represents a new, meaningful solution to the problem.

#2 Will the adoption of Sections 21-23 change the way that city employees share the cost of their health insurance?

No. Some have suggested that the adoption of Sections 21-23 might allow the city to change the existing “25%/75%” cost-sharing arrangement that requires city employees to pay 25% of the cost of their health insurance plan and the city (as employer) to pay the other 75%.

There is no basis for this suggestion. It is simply not true. Section 21 does not give any power to the city to unilaterally pursue a change in the existing cost-sharing split. Any change to the “25%/75%” split could only happen as part of a separate agreement between the City and the PEC that is not subject to the provisions of Sections 21-23.

In fact, bringing overall healthcare costs under control could actually provide relief to employees, since they are responsible for 25% of the cost of their health insurance plan. (If the associated cost of their health insurance premium were to change, then 25% of whatever the change is passed on to them.)

###