



CITY OF NEW BEDFORD
JONATHAN F. MITCHELL, MAYOR

September 18, 2018

City Council President Linda M. Morad, and
Honorable Members of the City Council
133 William Street
New Bedford, MA 02740

Dear Council President Morad and Honorable Members of the City Council:

I write to update the City Council on the efforts of my Administration to control employee healthcare costs and identify the challenges ahead.

As you know, the direct cost to the City of New Bedford of the employee health insurance program has increased by 25% over the past six years, and now stands at \$44 million annually. This is an unsustainable rate of growth and a major contributor to the tax burden borne by our residents.

In an effort to reign in healthcare costs, the City repeatedly sought support from the Public Employee Committee (PEC) to cooperatively craft changes to the health insurance program. Since 2015 the PEC repeatedly refused to consider changes suggested by the City, and due to the requirements of Massachusetts Law, the City was prohibited from unilaterally imposing any changes without PEC approval.

The impasse continued until earlier this year, when in January, I filed with the City Council a measure accepting Massachusetts General Law Chapter 32B, Sections 21-23. The acceptance of the Law would provide the City with new tools to implement changes to City health insurance benefits and enable more effective collaboration with its public employee unions.

Virtually every community in Greater New Bedford, along with the majority of municipalities and school districts statewide, has now accepted Sections 21-23 and has achieved significant savings while still meeting the obligation to provide their employees with the healthcare coverage they deserve.

Importantly, acceptance of Sections 21-23 would provide an independent arbitration process, available when necessary to resolve differences between the PEC and City. I believe the prospect of passage by the City Council of the new arbitration process (which would end the years of stall tactics and delay to which the PEC had become accustomed) helped to bring the PEC to the negotiating table with the City.

I can report that, after protracted negotiations, the PEC agreed to some changes, and that these changes will slightly reduce costs in the upcoming plan year. The changes will generate a small budgetary savings in Fiscal Year 2019 of \$524,000, and \$1.4 million when annualized.

It is important to clarify that the changes agreed to by the PEC and the City--while welcome--remain insufficient to significantly alter the cost trajectory of the program. Budget projections continue to indicate that health care spending will increase at an unsustainable rate, with major impacts on the municipal budget and resident tax bills.

Moreover, because the PEC only agreed to minor changes to employee co-pay amounts and deductibles, and refused to alter prescription drug coverage, the premiums paid by City employees will likely also experience cost pressure in coming years.

It is in this context, that I encourage the City Council to keep acceptance of Sections 21-23 squarely on the table for consideration. My view--that we need Sections 21-23 in place here in New Bedford--has not been diminished by the experience of the past year. If anything, the urgency of acceptance of Sections 21-23 has increased, as months of negotiations are now shown to have produced only modest savings.

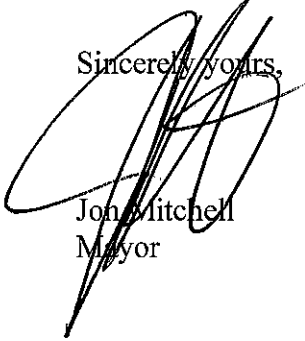
We remain well short of the \$4-5 million in annualized healthcare savings originally sought to protect taxpayers and put City government on a sustainable path. If the City is unable to make additional progress with the PEC toward its savings goals, it will be imperative for the City Council to swiftly approve Sections 21-23 so that arbitration then becomes available to resolve the PEC-City disagreement. *We must ensure that the delay tactics of the past are not resurrected and the City has the opportunity to incorporate sufficient savings into future City Budgets.*

Please know that, for my part, I have already directed my Administration to return to negotiations with the PEC for the purpose of exploring further plan redesigns and other cost-saving concepts. I am as committed as ever to achieving a sustainable fiscal path for the City and believe that we can respect our hard-working employees while moving toward healthcare coverage that is more reflective of the modern healthcare marketplace

Indeed, with taxpayers already burdened, essential services already at risk, and state mandates growing, we have no good option but to press forward with a fair but meaningful reform of the healthcare program.

Thank you for your consideration. I look forward to our continued work together on this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jon Mitchell". The signature is stylized with large, sweeping loops and a long, horizontal stroke extending to the right.

Jon Mitchell
Mayor