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Property Tax Relief in Name Only

Municipal health insurance legislation with new title passed House and Senate

Bills that would allow cities and towns to join the state's Group Insurance Commission (GIC) have been approved by both the House and Senate and the differences must be resolved before the legislation can be enacted. The structure of the legislation remains basically the same although its title has been changed to "An Act to Reduce the Reliance on Property Taxes through Municipal Health Care," as if the name change will make tax relief available for all municipalities facing skyrocketing employee health insurance increases that put pressure on the property tax.

The requirement that municipalities negotiate entry into the GIC with a public employee committee (coalition bargaining), with a 70% weighted vote needed for approval, is a hurdle that many communities will have difficulty maneuvering. As a result, the touted property tax relief will not be available for many cities and towns in the near future.

Furthermore, timing is a factor that will prevent many municipalities from joining right away. Under this law, when enacted, a municipality will need to negotiate the conditions for entry and other factors with the employee committee in time to inform the GIC of its decision by October 1, 2007, less than three months from now. If successful, the municipality would then be allowed to join the GIC starting in FY09.

The House and Senate bills that passed share new language not included in the original bill. Both bills now include a \$1M appropriation to

the GIC for the start-up costs of providing municipal health coverage. The bills also allow some regional councils, planning districts, and charter schools to enter the GIC upon a vote of their governing bodies.

The bill passed by the Senate contains some unique elements not present in the House bill. The Senate bill requires that the GIC offer health insurance providers currently serving the municipal health insurance market the opportunity to submit a bid to the GIC. This would allow insurers who do not have a contract with the GIC, such as Blue Cross Blue Shield (BCBS), the opportunity to become a GIC provider. The GIC has invited all carriers, including BCBS, to submit plans based on GIC standards in the past. The Senate bill also contains a provision allowing the town of Saugus to join the GIC in FY08.

Both bills provide that two to four municipal labor and management representatives will be added to the GIC as the GIC's municipal employee membership grows but differ on timing and municipal representation issues.

The GIC bill does represent an incremental improvement that over time may provide benefit to several communities. However, it is misleading to suggest that this bill will provide genuine property tax relief to most cities and towns over the next few years, when health insurance increases will continue to absorb a larger share of revenue growth.