



CITY OF BOSTON OFFICE OF FINANCE

March 16, 2026

Dear Honorable Members of the Boston City Council,

Thank you for your due diligence as we prepare to file the Fiscal Year 2027 Budget in a time of challenging economic conditions for municipalities across the Commonwealth and beyond. We appreciated the opportunity to update the Council at the Committee on Ways and Means hearing on February 26, 2026, where administration officials spoke about the significant cost pressures facing the City of Boston's health insurance system, which provides coverage for 55,000 members of our City workforce, their families and retirees. We also shared next steps to pursue options to reduce costs through the City's collective bargaining process with municipal unions.

I am writing to update you on recent developments in that process that confirm significant increases in employee premiums and health insurance budget costs to take effect in the fiscal year beginning on July 1, 2026.

As described at the hearing last month, the City of Boston is self-insured like the Commonwealth of Massachusetts and many other public employers. This means the City assumes the financial risk for medical claims incurred by covered employees and retirees, rather than purchasing fully insured coverage. Like other employers, the City has faced increased costs from the overall rise in healthcare expenses, a series of unusually high-cost claims, and the growing use of GLP-1 medications for weight loss. Currently, only approximately 7.7% of non-Medicare plan members are accessing GLP-1s for weight loss through the City's health insurance — yet this utilization represents approximately 14.7% of the overall projected cost increase from FY26 to FY27, with GLP-1 for weight loss costs estimated at \$31.6 million in FY26 and rising to approximately \$47.4 million in FY27.

The City pursued options to avoid dropping coverage of this medication, including the implementation of utilization management - an industry-standard cost containment tool that ensures prescription drugs are only prescribed when clinically appropriate - in order to preserve access for our workforce to health and well-being. The City of Boston

is currently one of the only Blue Cross Blue Shield accounts in Massachusetts without utilization management in place for non-specialty medications, and this tool is already in place for the City's Mass General Brigham non-Medicare plan.

As you know, in order to make plan changes, the City must engage in the collective bargaining process for health benefits with the Public Employee Committee (PEC), which consists of public employee union representatives and a retiree representative. On February 10, 2026, the administration presented the PEC leadership with full information about skyrocketing health care costs and an impending 22.6% rate increase, along with options to address these costs, including the adoption of utilization management, which would save the City between \$8 to \$9 million. We discussed scheduling a vote of PEC on March 10, 2026. Unfortunately, even after receiving information on the City's financial position and being presented with potential solutions, the PEC leadership arranged a vote with less than 24 hours notice for a vote on March 9, 2026. Three unions, representing the majority of those present at the meeting, voted to reject any plan design changes, three unions voted to adopt utilization management, and several other unions were unable to attend the meeting due to short notice.

The consequences of this inaction, if allowed to stand, are massive and immediate. Health insurance rates for non-Medicare plans will increase by 22.6% over FY26—the highest ever year-over-year premium increase in recent history. These rate increases will be deeply felt by the City and across our workforce. For example, an employee enrolled in the BCBSMA Standard HMO family plan—the most widely used non-Medicare plan—will see their monthly premium jump from \$655 to \$803, an increase of \$148 monthly and \$1,773 annually.

Given these unprecedented circumstances, and unaffordable increases in cost for our employees and the City, our administration has requested that the PEC leadership reconvene and take new votes on the options presented no later than Friday, March 20. These significant financial impacts require a departure from standard practice, and we remain hopeful that the PEC will work with the City on a path forward that serves our workforce, maintains fiscal responsibility, and averts the need to pursue alternatives, such as joining the Commonwealth's Group Insurance Commission, which has already voted to eliminate GLP-1 coverage for weight loss.

These additional expenditure pressures are occurring against a backdrop of constrained revenue growth, which remains projected at approximately 1.5% to 2.5% over FY26. With fewer resources available to absorb these increased costs, additional targeted reductions will be necessary as we work to deliver a responsible and balanced budget for FY27.

We are in the midst of a uniquely challenging fiscal moment for the City and our residents. The administration remains committed to working together with our labor partners to protect the City's long-term financial stability, the health care coverage that our workforce depends on, and the high-quality core City services that our residents deserve. Thank you for your attention to this important issue. We look forward to working together to address these challenges.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Groffenberger". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ashley Groffenberger
Chief Financial Officer, Collector-Treasurer

Cc:
PEC members