

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 10, FILE # 020461

JULY 11, 2002

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File # 020461 is a resolution relating to the adjustment of active and retired city employee health care benefit contributions.

Background

The intent of this resolution is that the city will pay 85% and the employee, active and retired, will pay (a minimum of) 15% of any health and dental insurance plan chosen.

Discussion

1. The 2002 rate for the low-cost HMO health insurance plan (currently no-cost to active and eligible retired employees) is \$261.04 for single coverage and \$737.28 for family coverage.
2. The impact upon dental coverage is based upon the current monthly city share of \$13.00 for single coverage and \$37.50 for family coverage, regardless of the dental plan chosen.
3. As for the city's Basic Health Plan, the analysis becomes more complex. The city share of the Basic Health Plan is based upon an actuarial analysis of cost, \$442.76 for single coverage and \$1,058.01 for family coverage. The *real* cost per employee to the city may exceed or fall below the actuarial amount depending upon employee usage and the types of medical care accessed. Expenses related to medical care for employees enrolled in the city's Basic Plan are paid from the Special Purpose (Health Care) *Claims* Account.
4. The Common Council sets the monthly Basic Health Plan employee share of the cost as a component of the annual budget deliberations. For 2002, the cost to the employee is as follows:

City Group	Single	Family
Management	\$100	\$190
DC # 48/Others	\$50	\$100
Fire and Police	\$25	\$50

5. Health care benefits for eligible **retirees** are categorized in two groups:

For those **under** age **65** years, the city pays, in general, 100% of the health plan selected, either the Basic Plan or an HMO (city payment for fire and police

retirees in this category is dependent upon a formulary ranging from 0% -33% of the cost of the Basic Plan depending upon the number of sick days accrued).

For those age **65 years and older**, the city pays, in general, 25% of any health plan selected, basic or HMO. The cost of the plan for the individual will be dependent upon the retirees' Medicare status and whether or not there is a spouse or dependent child/children to be included.

6. With this background, the following information represents the savings to the city if active and retired employees were to pay a minimum of 15% of the cost of the premium currently incurred by the city:

Dental – Active Employees Only

The city currently pays \$2,419,068 per year in premiums.

A 15% savings incurred by an active employee increase would yield an annual savings of **\$362,860**.

Medical – Active Employees

General City Management members in the city's Basic Plan (156 enrollees) are currently paying 22% of the city's cost for single coverage and 17% for family coverage.

Fire and Police and DC # 48 and "Others," currently paying less than 15% of the monthly premium, with an increased contribution to 15% to the Basic Plan monthly premium, would yield an annual savings to the city of **\$1,056,335**.

The city currently pays \$37,338,403 per year in premiums for HMO coverage.

A 15% savings incurred by an active employee increase for HMO and Basic Plan coverage would yield an annual savings of **\$6,657,095**.

Medical - Retirees

For retirees 65+ years of age, the city pays, in general, 75% of the monthly premiums.

For eligible retirees less than 65 years of age, the city pays 100% of the premiums for any health plan selected. For this category of retirees, the city pays \$19,248,757 per year in premiums.

A 15% savings incurred by a retired employee contribution of 15% would yield an annual savings of **\$2,887,314**.

Fiscal Impact

A 15% employee (active and retired) contribution for dental and medical coverage would yield, minimally, a savings to the city of **\$9,907,269**.

Further Information

- **The fiscal impact estimate of tentative savings is conservative.**
- These figures are based upon 2002 rates and enrollment. For 2003, up to a double-digit increase in health care premiums is projected.
- The *enrollment figures* for both active and retired employees are *fluid*.
- Basic Plan rates are reviewed and approved by the Common Council as a component of the annual budget process. HMO and dental premium rates and contracts are submitted for review to the Finance and Personnel Committee, usually in July of each year.
- The health insurance plans available to active and retired city employees have not yet been formalized for 2003. Estimates of savings realized by this resolution would most likely change once contracts and price information has been established for 2003.
- The figures cited above assume a 15% minimal contribution by every employee. Employees, both active and retired, currently paying above 15% of the city cost for premiums were not included. This includes active City of Milwaukee employees currently enrolled in the Basic Plan and eligible retirees under age 65 years.
- The possible effect of a 15% payment for employees *may* be that employees will be steered to the low-cost HMO. Employees choosing an HMO other than the low-cost HMO will pay an additional 15% plus the difference from the low-cost HMO.
- *Health care benefits and ensuing premiums are components of labor negotiations. Any change in employee contributions would need to be negotiated with the unions representing City of Milwaukee employees.*

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LRB-Fiscal Review Section
July 10, 2002

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