

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 9, FILE # 020479

JULY 11, 2002

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File # 020479 is a resolution approving a health insurance rate structure for eligible management employees less than 65 years of age selecting retirement after January 1, 2003 that would be identical to active management employees.

Background

1. This resolution would authorize the establishment of a new monthly rate structure for City of Milwaukee management employees, including police and fire management employees, who take retirement on, or after, January 1, 2003 and are under 65 years of age. The change in the rate structure would make the retiree rates the same as the rates for active management employees until the retiree reaches age 65 years.
2. General city management employees, who select retirement at 55 years of age with 30 years of service or 60 years of age with 15 years of service, may select any health insurance plan that the city offers at no cost to age 65 years. This benefit was extended to management retirees through Common Council Files # 69-2528-C, 71-2469, and 73-646.
3. Police management employees, who select retirement after 25 years of service, regardless of age, may select any health insurance plan that the city offers at no cost, or reduced cost depending upon the number of accrued sick days to age 65 years.
4. Fire management employees, who select retirement after 22 years of service at age 49 years, may select any health insurance plan that the city offers at no cost, or reduced cost, depending upon the number of accrued sick days to age 65 years.

Discussion

1. This resolution proposes that all eligible City of Milwaukee management employees, including police and fire management, who retire on or after January 1, 2003, pay health care premiums with a rate structure identical to active management employees.
2. Currently (for 2002), the city offers the choice between three HMO plans and the Basic Plan in its health benefits package. The low-cost HMO is paid in full by the city. Active management employees who choose an HMO other than the low-cost HMO or the Basic Plan pay a monthly premium.

3. Represented employees retire with health care benefits negotiated through collective bargaining.
4. This resolution would have has no retroactive authority for management retirees prior to January 1, 2003.
5. Approximately 189 management retirees are enrolled in the under age 65 health benefits plans. The following chart indicates the current health insurance plan selections.

Current management retiree health benefit selection, 2002:

Eligible Retirees	Single	Family
Aurora HMO	7	16
United HMO	2	16
Humana HMO	15	33
Basic Plan	31	69

6. Management retirees comprise approximately **4%** of all retirees under age 65 years receiving health care benefits (approximately 5000 retirees under age 65) though the city health insurance plans.
7. General, non-represented city employees share the same rates for retirement health coverage as DC #48.

Fiscal Impact

1. The fiscal impact of this resolution is predicated upon the number of management employees who will choose to retire on or after January 1, 2003.
2. The fiscal impact of this resolution will also be determined by the cost of HMO coverage for 2003 as well as the HMO plans eventually offered for selection. The low-cost HMO (and its ensuing monthly premium rate for 2003) has not been officially selected. Additionally, the low-cost HMO for individual and for family coverage *may* be from different companies. These insurance payors and their rates are usually determined by contract in July.
3. The current number of management retirees (189) under age 65 and the percentages who choose the respective health plan are as follows:
 - Aurora (23) – 12%
 - United (18) – 10%
 - Humana (48) – 25%
 - Basic Plan (100) – 53%

These percentages could, theoretically, be applied in order to gain a general understanding of the way choices between health insurance plans are divided. However, these percentages would change as HMO health insurers could opt not to renew contracts with the city or the city with them.

4. At this time, it is not possible to estimate how many active management employees will retire in 2003 when the proposed revised health insurance rate could take effect. It might be argued that enactment of this resolution would cause some management employees to retire in 2002 while insurance coverage is still free.
5. All HMO contracts with the city are due to expire at the end of 2002. Council File # 011515 authorized the Department of Employee Relations to hire consultants to assist in preparing requests for proposals for HMO and other expiring benefit contracts for 2003.

Further Information

1. The number of management retirees during 2002 may be enhanced relative to an anticipated loss, commencing in 2003, of a retirement benefit: fully-paid health care insurance premiums of any insurance plan for eligible retirees age 55-65 years of age.
2. *The 2003 budgetary impact of this resolution will be minimal. This resolution is primarily a policy change that will have its greatest financial impact over a longer period of time as the pool of eligible retirees in this category (management) grows.*

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