



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2017-0434

TO: Mayor and City Council Members
FROM: Pamela M. Gordon, Director of Human Resources, ext. 2521
DATE: September 25, 2017
SUBJECT: Public Act 152 of 2011

REQUEST:

Continued support to opt-out from mandated employee medical plan contribution minimums established under Michigan's Public Act 152 for all union and non-union City employees eligible for insurance for plan year 2018, as authorized by a super-majority of City Council.

BACKGROUND:

Under current union contracts in force through December 2018, all full-time union, as well as non-union employees are offered a core, employer funded high deductible HMO (HD/HMO) medical plan, along with City contributions to employee Health Savings Accounts (HSA's). Employees may buy-up to traditional HMO, PPO and HD/PPO plans by paying the monthly premium difference.

The strategy of fully funding a single core medical plan was implemented in 2011, when Council first authorized the City to opt-out of Public Act 152. For the past seven years, this core plan strategy has met the 5% annual health insurance renewal target identified by City Council, while avoiding large employee contributions imposed by hard cap limits or 20% contribution minimums.

In 2018, our total gross medical cost will increase by 9.5%, with the City's net cost increasing by 7.5%. Of that overall 9.5%, 6.8% is due to premium cost increases and the balance is due to taxes and fees under the ACA, including the Health Insurance Premium Tax, which was suspended for 2017 and reinstated for 2018. The 6.8% premium portion of the renewal remains below our actuarial market trend forecast of 7.3% for medical and pharmacy costs in 2018. In addition, based on an annual trend of 9%, our core medical plan remains on track to avoid the 40% ACA "Cadillac" excise tax, which is scheduled to take effect in 2020.

Compared to double digit increases of the past, overall healthcare trend has been more stable in the past few years. However, as Council considers adopting a budget for 2018 that reflects a market pay philosophy designed to support the attraction and retention of an engaged workforce, it will be increasingly important to manage personnel costs from a total compensation perspective. This effort will involve formation of a joint labor/management compensation and benefits committee. It is anticipated that this group will not only participate in developing standards for the new unified salary structure, but that they will serve as a focus group to explore potential compensation strategies as we prepare for contract negotiations next year.

RECOMMENDATION:

That City Council vote to continue to opt-out of employee medical plan contribution levels required under PA 152 for all union and eligible non-union employees for the benefit plan year beginning January 1, 2018, based on health care plans as provided under current union contracts in effect through December 31, 2018.

| APPROVALS: | SIGNATURE | DATE |
|---------------------|-----------|------|
| Department Review | | |
| Department Director | | |
| Mayor | | |
| Deputy Clerk | | |