



City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS

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Legislative File No: 2019-0421

**TO:** Mayor and City Council Members  
**FROM:** Pamela M. Gordon, Human Resources Director  
**DATE:** September 23, 2019  
**SUBJECT:** 2020 Public Act 152 Compliance Recommendation

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**REQUEST:**

Continued support to opt-out of 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 2020, as authorized by a super-majority of City Council.

**BACKGROUND:**

Public Act 152 requires City Council by a super-majority vote to annually elect to opt-out of State imposed medical benefit plan contribution limits for public employers. Alternatively, by a simple majority vote, Council could require employees to pay 20% of their total annual medical benefit plan costs. Otherwise PA 152 imposes limits on public employer contributions in excess of "hard cap" amounts; \$6,818.87 (single), \$14,260.37 (2-person) and \$18,596.96 (family) for 2020 (a 2% increase from 2019 limits).

All full-time union, as well as non-union employees are currently offered a core, employer funded high deductible HMO (HD/HMO) medical plan, along with City contributions to employee Health Savings Accounts (HSAs). Employees may buy-up to traditional HMO, PPO and HD/PPO plans by paying the monthly premium difference. The City currently has contracts in force through December 31, 2021, with no changes in health care plans identified through the term of the contracts.

The strategy of fully funding a single core medical plan was implemented in 2011, when City Council first authorized the City to opt-out of Public Act 152 for 2012. This core plan strategy has met the 5% annual health insurance renewal target established by Council in 2013 each year since, except 2018 (due to premium taxes implemented under the ACA), while avoiding large employee contributions imposed by mandated hard cap limits or 20% contribution minimums.

The 2020 budget proposal includes a 7.5% increase for healthcare costs. However, the City's renewal for its funded core medical plan will increase by 4.75%, less than Council's 5% target. Overall costs including city contributions to health savings accounts (HSA's) and opt-out payments for non-enrolled employees will increase by 4.01%. Given the 8% core plan reduction in 2019, in 2020, the City's funded medical plan costs will be more in line with 2017 costs. Of that increase, about one percent is attributable to reinstatement of the Health Insurance Premium Tax, which had been eliminated for 2019.

Once again, Council has been presented a budget for 2020 - 2022 that reflects a market pay philosophy designed to support the workforce attraction and retention in an increasingly competitive

job market. In managing personnel costs from a total compensation perspective, the City continues to maintain health care plans that meet coverage and affordability needs of employees, while avoiding State and Federal mandates affecting the bottom lines of both employees and the City.

**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, 2020.

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APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney     Yes     N/A