



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2015-0377

TO: Mayor and City Council Members
FROM: Pamela M. Gordon, Director of Human Resources, ext. 2521
DATE: September 28, 2015
SUBJECT: Public Act 152 of 2011

REQUEST:

Exemption from mandated employee contribution minimums established under Michigan's Public Act 152 for all union and non-union City employees eligible for insurance for plan year 2016, as authorized by a super-majority of City Council.

BACKGROUND:

In lieu of mandatory hard cap or 20% contribution minimums, all full-time City employee groups have been offered the same health plan options with Health Alliance Plan since July 2014, when the current Fire contract was ratified. The City continues to provide a core, premium-funded High Deductible (HD) HMO medical plan, along with employer contributions to employee Health Savings Accounts (HSA's). Employees may buy-up to traditional HAP HMO and PPO plans by paying the monthly premium difference.

This funding strategy, along with negotiated increases with HAP as the City's sole medical insurance provider, has effectively controlled our health care cost inflation and continues to meet objectives established by City Council in 2013 and 2014. The overall medical plan increase in 2016 will be 2%, with the City's share of costs a mere 1.7% higher (compared to a 9% budgeted increase for 2016 and a projected 6.5% increase in medical costs for employers nationwide).

The City's current HMO plans are also on track to fall within limits established under the Affordable Care Act for the "Cadillac" excise tax in 2018, even with a conservatively projected annual trend of 9%. As a result, a 40% tax penalty, which would likely be passed on by the insurance carrier, will likely be avoided.

RECOMMENDATION:

That City Council vote to authorize the exemption option (Or opt-out) under PA 152 for all union and non-union employees eligible for insurance for the benefit plan year beginning January 1, 2016. This exemption would apply to union employee groups to extent that comparably cost-effective City medical plan contributions are maintained in ratified agreements between the City and AFSCME Locals 2491 and 1917.28 and IAFF Local 3472 for the plan year beginning January 1, 2016.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		