



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2018-0417

TO: Mayor and City Council Members
FROM: Pamela M. Gordon, Director of Human Resources, ext. 2521
DATE: October 8, 2018
SUBJECT: Public Act 152 of 2011

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 2019, 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; \$6,685.17 (single), \$13,980.75 (2-person) and \$18,232 (family) for 2019.

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 is currently engaged in contract negotiations with our general employee and fire fighter unions; no changes in health care plans have been proposed by either the City or the unions.

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.

In 2019, the City will experience an 8.9% rate reduction. Two to three percent of the decrease is attributable to the elimination of the Health Insurance Premium Tax. In addition the rate reduction, our current carrier, HAP will also provide a one-time implementation credit that will total approximately \$21,600. This rate reduction will help the City avoid the 40% ACA "Cadillac" excise tax to be imposed on so-called "high cost" health plans in 2022.

Council has adopted a budget for 2019 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, it is important 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, 2019.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		