



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2016-0394

TO: Mayor and City Council Members
FROM: Pamela M. Gordon, Director of Human Resources, ext. 2521
DATE: September 26, 2016
SUBJECT: Public Act 152 of 2011

REQUEST:

Exemption 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 2017, 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 currently offered a core, employer funded High Deductible HMO (HD/HMO) medical plan, along with employer 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. In lieu of imposing hard cap limits or 20% contribution requirements on employees, this plan strategy has provided budgetary limits that continue to meet annual health insurance renewal objectives of 5% identified by City Council in 2013 and 2014. The overall medical plan increase for 2017 will be 4.2%, with the City's costs increasing by 3.2% (a 9% increase was originally budgeted).

In addition, the City's current core HD/HMO plan remains on track to avoid the "Cadillac" excise tax under the Affordable Care Act through 2019, based on a projected annual trend of 8%. The 40% tax penalty on the core plan would be minimal in 2020 (the amended effective year of the tax) and may be avoided if limits are adjusted by then. Finally, because the plans offered to City employees meet minimum essential coverage and affordability standards under the ACA, no employer responsibility penalties have been imposed for the 2015 plan year.

RECOMMENDATION:

That City Council vote 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, 2017, based on health care plans as provided under union contracts.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		