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## CITY COUNCIL AGENDA ITEM

Date: January 29, 2019

To: Mark F. Miller, City Manager

From: Thomas Darling, Financial Services Director  
Jeanette Menig, Human Resources Director

Subject: PA 152 - Publicly Funded Health Care

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### History

Public Act 152 of 2011 established limits on the amount that public employers pay toward employee medical benefit plans. Since the inception of PA 152, the Troy City Council has voted to opt-out each year.

Coinciding with each medical insurance plan year (beginning April 1), we must address the alternatives and affirm the City's direction in this matter with a City Council resolution. The alternatives are:

- Hard Cap - The hard cap limits the amount a public employer can contribute to employee health insurance costs; the employer cannot pay more of the annual costs for health insurance than a total amount equal to:
  - \$ 6,685.17 – times the number of employees with one-person coverage
  - \$13,980.75 – times the number of employees with two-person coverage
  - \$18,232.31 – times the number of employees with family coverage
- 80/20 - The 80/20 option states the employer may not pay more than 80% of the total annual costs of all the medical benefit plans it offers or contributes to for its employees.
- Opt-Out - The opt-out allows the local unit of government to exercise its discretion to determine what premium share contribution is desired for their organization.

PA 152 was in place while we worked to move all full-time employee groups to the same self-funded health insurance plan, streamlining from multiple plans to one. In 2015 we completed the transition to a single health insurance plan for all active employees with employees in all groups contributing 5% of the premium costs. Total premium savings were estimated between \$2.5 and \$3.5 million per year at that time.

## **Financial**

The financial impact of each option is estimated below:

### **Estimated Cost Allocation by Option (FY 2019/20 Rates)**

<b>PA 152 Option</b>	<b>Employee Share</b>	<b>City Share</b>	<b>Total</b>
Opt-Out	252,145	4,790,755	5,042,900
Hard Cap	400,148	4,642,752	5,042,900
80/20	1,008,580	4,034,320	5,042,900

*Note: Our current BCBS plan is self-funded; accordingly, actual costs (experience) will differ from illustrative rates used in the above schedule.*

While overall cost is one consideration, the impact on each individual is another. This year, the effect of PA 152 options on an individual City employee cost share would be as follows:

### **Annual Employee Premium Share (FY 2019/20 Rates)**

<b>Type of Coverage</b>	<b>Current 5% (Opt-Out)</b>	<b>Hard Cap*</b>	<b>80/20</b>
1 person	330	0	1,320
2 person	791	1,843	3,165
Family	991	1,578	3,962

\* Hard Cap may be allocated alternatively

It should be noted that any option change would only affect non-union employees until current union contracts expire.

## **Recommendation**

We recommend that City Council continues to affirm the City's direction in this matter by selecting the PA 152 opt-out alternative for plan year 2019/20.