



# **Economic Vitality Incentive Program (EVIP) Certification**

## **Employee Compensation Plan Under Public Act 152 of 2011 Option**

### **Issued Under Authority of Public Act 200 of 2012**

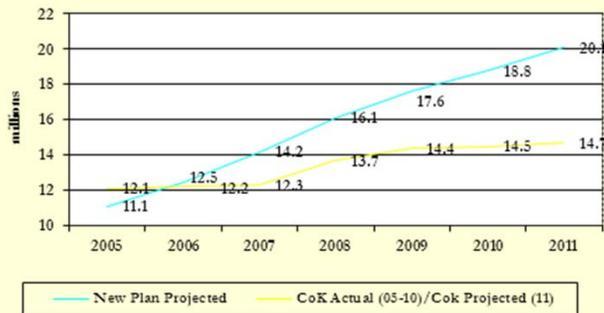
Each City applying for EVIP employee compensation payments under Public Act 152 of 2011 option must certify to the Michigan Department of Treasury that the local unit of government provides medical benefits for its employees or elected public officials in compliance with PA 152.

# City of Kalamazoo

## Health Care Cost Strategy and the Impact of PA 152 of 2011

December, 2012

### City of Kalamazoo Health Care Cost Trends



Compounded Savings = \$18.5 million

## Health Care Cost Containment History

- Began in 2005 with the contracting of Marsh and Associates (now Mercer Health and Benefits).
- Increased employee payroll contributions through bargaining with the unions and with a similar strategy applied to non-union employees
- Restructured plan designs:
  - Increased co-pays
  - Increased deductibles
  - Restructured prescription drug cost share
- Closed defined benefit retiree health care system
  - Net Present Value of \$17.8 million over 25 years

## Requirements of PA 152 of 2011

- In 2013 Municipalities may pay no more than:
  - \$5,692.50 for single coverage per employee
  - \$11,385.00 for double coverage
  - \$15,525.00 for family coverage

OR

- Governing bodies may elect to pay no more than 80% of the estimated cost, not including plan design costs.

OR

- Governing bodies may elect to opt out of the requirements of PA 152.

Municipalities risk losing 10% of EVIP money for non-compliance with PA 152. for the City of Kalamazoo, that equates to \$230,000 per year.

Any unions with contracts executed by September 15, 2011 are not included in the requirements of PA 152 until those contracts expire.

## Employee Health Insurance Contributions

All employees (union and non-union) will pay the same rates in 2013 as were paid in 2012:

	<u>Monthly</u>	<u>Annually</u>
Single	\$ 60.00	\$ 720.00
Double	\$135.00	\$1,620.00
Family	\$162.00	\$1,944.00

## Calculation of Flat Dollar Cap (Default)

Coverage	2013 Mercer Use Rate Annual	Annual Employee Contribution	City Contribution	2013 Cap Amount	Over/Under Cap	# of Contracts	Total Under/Over
S	\$5,502.12	\$ 720.00	\$4,782.12	\$ 5,692.50	-\$910.38	122	-\$111,066.36
D	\$13,193.04	\$1,620.00	\$11,573.04	\$11,385.00	\$188.04	137	\$25,761.48
F	\$16,524.72	\$1,944.00	\$14,580.72	\$15,525.00	-\$944.28	279	-\$263,454.12
						Under	-\$348,759.00

## Calculation of 80/20 Split (Optional)

Coverage	2013 Mercer Use Rate Annual	Annual Employee Contribution	City Contribution	80% of Cost	Over/Under 80% Amount	# of Contracts	Total Under/Over
S	\$ 5,502.12	\$ 720.00	\$4,782.12	\$ 4,401.70	\$380.42	122	\$46,411.73
D	\$ 13,193.04	\$ 1,620.00	\$11,573.04	\$ 10,554.43	\$1,018.61	137	\$139,549.30
F	\$ 16,524.72	\$ 1,944.00	\$14,580.72	\$ 13,219.78	\$1,360.94	279	\$379,703.38
						Over	\$565,664.40

## NBU Health Care Rate History (Annually)

Year	Single	Double	Family
2005	\$432	\$864	\$972
2010	\$600	\$1,356	\$1,620
2011	\$720	\$1,620	\$1,944
2012	\$720	\$1,620	\$1,944
2013	\$720	\$1,620	\$1,944

## Health Care Costs Relative to the 5-Year Fiscal Plan

- 2012 Rates are published in this presentation.
- 2013 Rates for union members are the same as 2012 and are anticipated to be the same for non-union employees.
- Rates in 2014 – 2016 will depend on:
  - Plan utilization by employees
  - Changes in plan design
  - Directives and legislation on the state level
  - Union contract negotiations
- The City will continue a strategy of reaching a cost share of 80%, 20% within the next round of bargaining with the unions, beginning in 2014 and graduating the rates incrementally to minimize the impact on city employees. There are options that administration is investigating to minimize the financial impact on city employees.

## Requested Action

The City Commission may take any of the following actions:

1. Accept the default of the flat dollar cap without action
2. Vote to require a 20% contribution from employees (non-union only in 2012)
3. Vote to opt out of PA 152

Recommendation is to accept the flat dollar cap (default) for 2013 and take no action.