



Tompkins County Department of Administration

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"Promoting excellence in County operations while respecting the needs of the people we serve."

TO: BUDGET, CAPITAL, AND PERSONNEL COMMITTEE
FROM: JOE MAREANE
DATE: APRIL 24 2017
RE: RETIREE HEALTH INSURANCE

Background: The County offers post-retirement health insurance (through our Inter-municipal Consortium) to all County employees who have retired from the County and are drawing a NYS pension. Currently, 292 retirees or their survivors participate in the plan. Most retirees pay half of the cost of an individual premium and, if they choose a family plan, pay 65% of the additional premium amount for family coverage.

Although there are examples of local governments in New York State that do not offer post-retirement health benefits at all, our cost-sharing arrangement is believed to be among the most balanced of those who do. This is an important source of fiscal stability for the County and results in a substantially lower accrued long-term liability than many other governments of our size.

However, because the cost of health insurance has risen faster than pensions, the cost of purchasing County health insurance consumes an increasingly large portion of a retiree's pension. The cost to purchase family coverage for two retirees under 65 now exceeds \$1,000 per month. An employee earning \$45,000 who retires at half pay receives a monthly pension \$1,875 per month.

The cost of insurance is not only putting a burden on existing retirees, it is a deterrent to retirement and therefore slows the natural rate of workforce attrition and the opportunities for other

employees to advance their careers. The lack of opportunities to move up the career ladder was often cited by employees as a negative element of the workplace environment in the 2015 Climate Survey.

The Goal: In considering the current situation, our goal is to find a way to 1) maintain the restrained level of County contributions in order to preserve the County's fiscal health and reasonable property taxes, and 2) lower the retiree's cost of health insurance.

Retiree Plan ⁽¹⁾	Monthly Cost		
	County	Member	Total
Indiv Under 65	422	422	845
Indiv Over 65	531	313	845
Family, 2 Under 65	768	1,064	1,831
Family, 1 Over 65	877	955	1,831
Family, 2 Over 65	986	846	1,831
Indiv Survivor, Under 65	-	845	845
Indiv Survivor, Over 65	109	736	845
Fam Survivor, Under 65	-	1,831	1,831
Fam Survivor, Over 65	109	1,722	1,831

The Opportunity--Platinum Plan: Since 2015, all new County employees (other than Correction Officers) have been enrolled in the Standard Platinum Plan offered through the Inter-municipal Consortium. The plan offers coverage identical to other County plans, but in some cases requires higher deductibles and co-pays that may vary from year-to-year in order to preserve the 90-10 split of total costs between employer and employee—which is the basis of the Platinum Plan¹.

The total (County + employee) premium for the Platinum plan is \$267-\$332 per month less than other County plans, including those offered to retirees.

The Concept: The County could accomplish its goals of providing a substantial reduction in health insurance costs to retirees without spending more money than it does today by:

1. Offering retirees coverage through the Platinum Plan;
2. Keeping the County’s contribution to the cost of a retiree’s coverage at the same dollar amount as it would be under the current Classic Blue Plan. By doing so, the entire savings of the Platinum Plan is passed along to the retiree;
3. Continuing to offset the retiree’s Medicare insurance premium.²

For example, the total premium for Classic Blue coverage, which is the most common retiree health plan, is \$845/month. For a single retiree under 65, both the County and the retiree pay about \$422 per month.

If that retiree chose to enroll in the Platinum Plan, the total (County + Retiree) premium would drop by \$268 per month, from \$845 to \$577. If the County maintained its \$422 monthly contribution, the retiree’s cost would drop by \$268 per month, from \$422 to \$154. (Total premium cost of \$577 – County contribution of \$422 = \$154 for the retiree to pay.) That is a 64% savings.

As shown below, retirees at every price point would save either \$268 or \$322 per month.

Retiree Plan	Monthly Cost--Current			Proposed Monthly Cost-Platinum			Monthly Cost/(Savings)		
	County	Member	Total	County	Member	Total	County	Member	Total
Indiv Under 65	\$422	\$422	\$845	\$422	\$154	\$577	\$0	-\$268	-\$268
Indiv Over 65	\$531	\$313	\$845	\$531	\$45	\$577	\$0	-\$268	-\$268
		\$0							
Family, 2 Under 65	\$768	\$1,064	\$1,831	\$768	\$732	\$1,499	\$0	-\$332	-\$332
Family, 1 Over 65	\$877	\$955	\$1,831	\$877	\$623	\$1,499	\$0	-\$332	-\$332
Family, 2 Over 65	\$986	\$846	\$1,831	\$986	\$514	\$1,499	\$0	-\$332	-\$332
Indiv Survivor, Under 65	\$0	\$845	\$845	\$0	\$577	\$577	\$0	-\$268	-\$268
Indiv Survivor, Over 65	\$109	\$736	\$845	\$109	\$468	\$577	\$0	-\$268	-\$268
Fam Survivor, Under 65	\$0	\$1,831	\$1,831	\$0	\$1,499	\$1,499	\$0	-\$332	-\$332
Fam Survivor, Over 65	\$109	\$1,722	\$1,831	\$109	\$1,390	\$1,499	\$0	-\$332	-\$332

¹ While the Platinum Plan is structured to conform with the “metal plans” provided under the Affordable Care Act (ACA), it is not a product of the ACA nor will the Consortium’s local “metal” plans be affected by changes to the ACA that may occur at the federal level.

² The County reimburses retirees the cost of their Medicare premium that, for most retirees, is \$109/month. This reimbursement is the basis of the analysis above. However, a small number of retirees pay a Medicare premium of \$134 and are reimbursed that amount by the County.

Circuit Breaker: To protect from long-term distortions that could occur if the cost of the Classic Blue plan rose faster than that of the Platinum Plan, a “circuit breaker” is included in the proposal to clarify that if the County’s contribution to Classic Blue becomes higher than the total premium cost for the Platinum Plan, the County’s contribution will be capped at the total Platinum Plan premium cost.

Fiscal Impact: There should not be an appreciable fiscal impact to the County associated with adding this option to the plans available to retirees.

It is possible that if the plan would be more attractive to retirees than the current plan, more retirees may opt to purchase their insurance through the County rather than their partner’s plan or, after age 65, through Medicare. This would add costs to the County budget.

An indirect fiscal impact could also occur if the pace of natural attrition quickens. New employees who fill vacancies created directly or indirectly by retirement are in the lower-cost Tier 6 pension plan and, if they choose to receive health benefits from the County, are all enrolled in the lower-cost Platinum Plan.

It is very likely that a number of existing retirees will choose to switch to the Premium Plan. However,

To maintain general fiscal neutrality, the rules of the program would have to include prohibiting retirees who opt into the Platinum Plan from retreating back to a different plan at a later date.

Policy Consideration: For the reasons described above, the Legislature may choose to adopt a plan to provide retirees the option to select the Platinum Plan as their insurance plan, with the County’s share of that plan set equal to the County’s contribution to the traditional “Classic Blue” plan. Enrollment opportunities would occur on an annual basis via the Fall Open Enrollment process. If approved by the Legislature, the Plan would be available to retirees beginning in January 2018.

Legislative Action: A draft resolution has been presented that would, if approved by the Legislature, enable the County to offer the Platinum option as described in this memo beginning in 2018.

Premium Summary--Current and Platinum Option

For the Retiree

<u>Retiree Status</u>	<u>Monthly Cost</u>		
	<u>Current</u>	<u>Platinum Option</u>	<u>Difference</u>
Individual Under 65	422	154	(268)
Individual Over 65	313	45	(268)
Family, 2 Under 65	1,064	732	(332)
Family, 1 Over 65	955	623	(332)
Family, 2 Over 65	846	514	(332)
Individual Survivor Under 65	845	577	(268)
Individual Survivor Over 65	736	468	(268)
Family Survivor Under 65	1,831	1,499	(332)
Family Survivor Over 65	1,722	1,390	(332)

For the County

<u>Retiree Status</u>	<u>Monthly Cost</u>		
	<u>Current</u>	<u>Platinum Option</u>	<u>Difference</u>
Individual Under 65	422	422	0
Individual Over 65	531	531	0
Family, 2 Under 65	768	768	0
Family, 1 Over 65	877	877	0
Family, 2 Over 65	986	986	0
Individual Survivor Under 65	-	0	0
Individual Survivor Over 65	109	109	0
Family Survivor Under 65	-	0	0
Family Survivor Over 65	109	109	0