



City of Racine, Wisconsin
Agenda BRIEFING MEMORANDUM

AGENDA DATE: 09/09/2019

SUBJECT: Proposed Retiree Healthcare Premium Share change and Medicare B Reimbursement change – Agenda Item 1025-19

PREPARED BY:

EXECUTIVE SUMMARY:

As part of some very difficult budget discussion, I was asked to analyze the fiscal impact of:

1. Implementing a consistent premium share percentage for all retirees
2. Capping and carve out Medicare Part B reimbursement payment to the qualifying retirees
3. Medicare Eligible retiree clinic usage for those on Medicare Advantage Plan
4. Medicare Eligible wellness incentive for those on Medicare Advantage Plan

BACKGROUND & ANALYSIS:

The City of Racine is in severe fiscal constraints. With tax levies nearly flat, state aids flat, and net new construction the 2nd lowest in the State, the City struggles to fund even small cost increases. With healthcare being one of the largest cost increases the City faces each year, and the City having the largest unfunded post-employment healthcare liability in the State of Wisconsin, the City is forced to look at options for savings in the healthcare area.

While the City is considering a high deductible health plan for the active employee and the pre Medicare retirees, it is also important to look at options associated with the retirees covered on the City's health plan.

Medicare Part B reimbursement:

The City has about 550 retirees that receive a Medicare Part B reimbursement from the City on a quarterly basis. 85% of these retirees are reimbursed the same rate of \$135.50/month, while 15% are reimbursed more due to income levels and other factors. We currently reimburse based on the rates issued by the federal government, as such, they fluctuate from year to year and fluctuate based on income levels and other factors. For the last quarter we paid 56 different rates. This is obviously administratively heavy and also puts us at the mercy of the federal government and whatever rate increases they may have from year to year.

In addition, we are currently reimbursing for spouses. Neither the CBA's or the employee handbook say that we should be reimbursing spouses as this has just been a past practice.

Retirees on Medicare Advantage Plan Clinic Usage and Wellness Incentive:

Under the current Medicare advantage health plan, the Medicare eligible retirees that are on the Medicare Advantage Plan have a much lower deductible and out of pocket max in addition they benefit from the wellness program within the Medicare advantage plan IN ADDITION to the City's wellness program.

Premium Share Change:

The City about 800 retirees in various groups contributing healthcare premium amounts ranging from 0%-10% depending on the group. The active employees pay between 5%-10% depending on the plan. This is both administratively heavy and unfair to the differing groups as well as to the active employees. We have over 48%, or 385, of the retirees that provide no premium contribution at all and have not since they retired. Below is the listing of the groups and the number of people in each group.

City of Racine

Retiree Healthcare Premium Share by Group

Row Labels	Number	Description
0% RETIREE	354.00	No Premium Share
0% W/WW RETIREE	31.00	No Premium Share-Water Wastewater
10% RETIREE	46.00	10% Premium Share
5% CAP \$30/\$60	26.00	5% Premium Share Capped at \$30 Month (Single)/\$60 Month (Family)
5% CAP 40/70	275.00	5% Premium Share Capped at \$40 Month (Single)/\$70 Month (Family)
5% RETIREE	14.00	5% Premium Share
5% W/WW RETIREE	20.00	5% Premium Share-Water Wastewater
7.5% RETIREE	6.00	7.5% Premium Share
7.5% W/WW RETIREE	19.00	7.5% Premium Share Water Wastewater
CAP 5% \$40/\$70 W/WW	8.00	5% Premium Share Capped at \$40 Month (Single)/\$70 Month (Family)- Water Wastewater
Grand Total	799.00	

BUDGETARY IMPACT:

Medicare Part B Reimbursement:

This reimbursement costs the City about \$1.3 million each year and has increased 66% since 2014. This cost is almost 6% of our estimated \$22 million healthcare budget. It is estimated that this cost will increase another 10-15% for 2020 if left as is. If the reimbursement amount was capped at today's minimum rate (\$135.50/month) it would decrease our cost slightly for 2020, but would allow us to control our costs in future years. If we no longer reimburse for spouses it could *save over \$100,000.*

Retirees on Medicare Advantage Plan Clinic Usage and Wellness Incentive:

Eliminating clinic usage for these retirees will free up appointment space for Active employees that are being impacted by the plan design change. Eliminating the CITY wellness incentive for these retirees would *save the City about \$20,000 annually.*

Premium Share Change:

The City currently collects about \$330,000 from the retiree groups that are paying a premium share. We anticipate that if the premium share was changed to 7.5% for ALL retirees this would *generate an additional \$450,000*. Although difficult to quantify, it would also decrease the administrative cost associated with managing the benefits for these groups.

RECOMMENDED ACTION:

1. The Medicare Part B Reimbursement be capped at \$135.50/month for the retiree only
2. No longer reimburse the Medicare Part B for the spouse.
3. All retirees be required to pay a 7.5% premium share regardless of their previous group classification.
4. Retirees on the Medicare Advantage Plan are no longer able to use the City Wellness Clinic
5. Eliminate the City wellness incentive for those retirees on the Medicare Advantage Plan.