

City of West Allis 2020-2021 Benefit Plans

Presented by Alex Beaudry Horton and City Administrator Rebecca Grill

Administration and Finance Committee - January 2, 2020



Fiscal Constraints, Background & History



Fiscal Constraints

- **Expenditure Restraint Program**
- **Facility Repairs and Maintenance (~\$60.5 mil)**
- **Street Light Conversion (~\$40-60 mil)**
- **Street and Sewer Replacement**
- **Taxpayer Financial Limitations** (Census data reports 13%/7800 of residents' household income is at or below the poverty rate of \$25,750)
- **Levy Limits**

Expenditure Restraint Program

What is it?

Aid provided by State to municipalities who limit growth in spending.

How is it calculated?

For the year prior to the aid payment, the rate of the budget growth cannot exceed the inflation rate plus an adjustment based on the growth in municipal property values.

What is the 2020 limit?

\$1.455 million

What is the aid amount we get if we remain within the limit?

~\$1,500,000 per year (less than 3% of our annual budget)



Budget Realities

- 1) Revenues **MUST** Equal Expenditures
- 2) Spending must not exceed expenditure restraint limit to receive ERP



2020 Budget Total

\$54 mil

Personnel Expenses*

\$16.3 mil

Health Insurance

(1/3 retiree costs)

86.1%

**General Fund Budget =
*Salaries/Wages and
Benefits**

OPEB LIABILITY

2017 ~\$147 mil

2018 Reduced to ~\$118.7 mil

(affects the City's financial ratings)

Self Funded Plan

What is Self Funding?

A Self Funded Plan, is one where the employer assumes the financial risk for providing benefits to its employees. Self-Insured employers pay for claims out-of-pocket as they are presented instead of paying a pre-determined premium to an insurance carrier for a Fully Insured plan.

How do self-insured employers protect themselves against unpredicted or catastrophic claims?

Most self-insured employers purchase stop-loss insurance to reimburse them for claims above a specified dollar level.

(CWA = \$175,000)

[Video on Self Funding](#)



FULLY INSURED vs. SELF FUNDED

Fully Insured

- Benefit levels
 - Determined by insurance company
- Premiums
 - Paid to an insurance company
 - Vary based on employer size, population characteristics, demographics, and utilization
- Claims
 - Insurance company pays all
- Risk
 - All assumed by insurance company
- Example
 - The City's CarePlus Dental Plan is a fully-insured dental plan.

Self Funded

- Benefit levels
 - Determined by the employer subject to budget capacity
- Premiums
 - Paid to City Health Fund
 - Based on actual costs and calculated by actuaries
- Claims
 - Paid by City Health Fund (funded by premiums and general fund budget)
- Risk
 - Borne by City and funding sources ((mitigated through stop loss coverage)
- Example
 - The City's Health Plans and the Standard Dental Plan are self-funded plans.



State Changes

Act 10 - 2011

- **Pension contributions**
 - Employees of Wisconsin Retirement System (WRS) employers contribute 50% of the annual pension payment
- **Health insurance contributions**
 - Employees pay at least 12% of the cost of premiums
- **Collective Bargaining**
 - Limits collective bargaining to wages only; local law enforcement and fire employees are exempt
- **Other Fiscal Impacts**
 - Reduction of shared revenue (around \$1 mil)
 - ERP formula changed from 3% floor to 0% floor
 - Recycling Grant Reduction

Act 32 (2011-13 Budget) - 2011

- Pensions and health insurance are prohibited subjects of collective bargaining

Act 20 - 2013

- **Public Safety Employees**
 - May **only** bargain employee premium contribution
 - Prohibited Subject of Bargaining: - All costs and payments associated with health care coverage plans
 - Design
 - Selection of health care plans
 - Impact of such costs and payments and the design and selection of the health care coverage plans on the wages, hours, and conditions of employment

City of West Allis Changes

2008

- Medicare coverage eliminated for new hires; Non-union and elected officials also in 2008; Nurses and ETAA in 2012 with WI Acts 10/32; Police/Fire in 2016 with WI Act 20 and related cases
- Years of service qualifier adjusted from 10 to 15 continuous years

2012

- Retirees who leave program are not eligible to come back (3/1/16 – Police and Fire unions)

2013

- 3/1/13 “Roll with Actives” begins (Retiree benefit levels adjust with the actives - negotiated with existing unions)
- Premium share tied to HRA participation (5%/10%)

2015

- Premium Share - 7.5%/15%
- Retiree Rate increases mirrored actives through 2/28/15
- 3/1/16 Weighted premium calculations began 5%

Actives/11% retirees (assigning true cost of plan would have Actives decreasing by ~9% and Retirees increasing by ~20%)

2016

- Premium Share - 10%/20%
- 3/1/16 Separate the Pre and Post 2013 Retirees as Post 13 benefit levels swing with active benefits
- 31% Reduction in Rates due to Network Change

2017

- Premium Share – no change
- Weighted premium 8.4% Actives & Pre 13 Retirees; Post 13 Retirees- 9.2%
- Total Benefit Package Implemented – 20 years to qualify for max of 10 years of Retiree Health Insurance/ceases at Medicare Eligibility

2018

- Premium Share – no change
- Weighted premium – 5% Actives/10% Retirees

2019

- Premium Share – 3/1/19 14%/20% Police/ others remain at 12%/20%
- Weighted premium – 7% Actives/11% Retirees

Comparables

Deductibles

	What is the current deductible level (for single coverage)?
City of South Milwaukee	Between \$1000 to \$2000
City of New Berlin	Between \$2000 and \$3000
City of West Allis	Under \$500
City of Sheboygan	Between \$1000 to \$2000
City of La Crosse	Under \$500
City of Janesville	Under \$500
City of Oshkosh	Under \$500
City of Brookfield	Between \$1000 to \$2000
Village of Menomonee Falls	Under \$500
City of Cudahy	Between \$2000 and \$3000
Waukesha County	Skipped
City of Racine	Between \$501 to \$1000

Co-Insurance

	What is the in-network coinsurance level?
City of South Milwaukee	100%
City of New Berlin	Other (please specify)
City of West Allis	100%
City of Sheboygan	100%
City of La Crosse	90%
City of Janesville	100%
City of Oshkosh	80%
City of Brookfield	90%
Village of Menomonee Falls	100%
City of Cudahy	100%
Waukesha County	80%
City of Racine	80%

“Normal Retirement Age”

If You Are Vested and Have Reached Minimum Retirement Age

If you are vested and terminate all WRS employment, you may apply for a retirement benefit once you reach *minimum* retirement age for your employment category. This is age 55 for most employees and age 50 for protective category employees.

Normal retirement age is when a member may apply for a full retirement benefit that is not subject to an age reduction factor. The normal retirement age by employment category is:

- General employees – age 65
- Protective occupation employees – age 53 or 54
- Executive and elected officials (who began WRS employment before January 1, 2017) – age 62
- Executive or elected officials (who began WRS employment on or after January 1, 2017) – age 65

Other Protective Service Comparables

Unit	Retiree Premium Info
Brookfield Police	For Employees hired prior to January 1, 2013 who retire after 15 years of service the City shall provide a discount of up to \$500 per month for one of the City's health insurance programs, a frozen at that level throughout the period of such discount. After 1/1/13 Employees are required to participate in the City's retirement health savings plan. The employer contributions are as follows: (1) Sick leave contribution of 32% of the earned but unutilized sick leave in the prior calendar year, to a maximum of 30 hours, for employees, who, as of January 1, of the prior calendar year, have attained a balance of 240 hours in the sick leave account. This attained balance will increase to 500 hours, effective December 31, 2021. A biweekly payroll contribution of \$115 per pay period of active service.
Franklin Fire	City pays 75% of the premium in effect at the time of retirement
Franklin Police	For employees with 15 years of service who retire on a regular pension the City shall pay seventy-five percent (75%) of the cost towards the single plan premium or the family plan premium of the health plan the employee was in prior to retirement, and such payment shall remain frozen at that level . Employees hired after 8/1/2010 must have at least twenty years of continuous service, must be at least the statutory normal retirement age.
Greenfield Fire	If retired at normal retirement age, retiree pays an amount equal to but not greater than the employee paid as an active employee until Medicare eligibility; if employee retires with 15 years of service and at normal retirement age, the spouse may continue on the city's full plan until Medicare eligibility
Menomonee Falls Fire	Effective January 1, 2009, the Village shall contribute to a post employment health plan (IRS Sec. 501(c)(9)) a flat dollar amount of \$30.00 plus four tenths of one percent (0.4%) of the top step firefighter base salary for each bargaining unit employee per year.
Menomonee Falls Police	Health Care Trust Account. The hourly rate to be used shall be calculated by taking the annual base salary of the top patrol officer and divided by 2080 hours. The hourly rate of the top patrol officer shall be multiplied by four-tenths (.4) of one percent (1.0%). The Village will contribute thirty dollars (\$30.00) per employee annually to the officer's VEBA account. Effective January 1, 2012, the Village will contribute forty dollars (\$40.00) per employee annually to the officer's VEBA account. This contribution is in addition to the Villages current obligations under Section 26.02(a) - 26.02(e).

Other Protective Service Comparables

Unit	Retiree Premium Info
New Berlin Fire	After 15 years of service a bank for premium payments is established on behalf of the employee. The insurance premium bank is developed by multiplying an employee's unused sick leave hours at the time of retirement by his/her hourly rate multiplied by 50%. Effective December 31, 2011, Newly hired full-time employees after successful completion of their probationary period shall have 75% of their earnings deposited in to the PEHP program in 2019 and 1% of their earnings deposited into the PEHP program in 2020
New Berlin Police	The City shall pay to the retiree health insurance Trust \$78,855 on 1.1.17, On January 2nd of each year after 2017, the City shall will pay to the Trust the same amount as the previous year, plus an additional one and one half percent (1.5%), Any portion of the premium not covered by the trust shall be calculated with the retiree paying the same percentage of the monthly premium as is required of active employees with the balance to be paid by the City.
North Shore Fire	Hired after 2009 65% premium paid by employer
Oak Creek Police	Benefit level modifications apply to all retirees; if hired after 2015 no retiree health care, instead the City shall pay into a Voluntary Employee Beneficiary Association (VEBA) to be used for payment of retiree health insurance premiums, the following sums per regular pay period - Year #2: \$50.00 Year #3: \$75.00 Year #4 and each successive year thereafter until retirement: \$100.00
South Milwaukee Fire	Retiree full premium from age 50 to normal retirement age; City Pays 70% from normal retirement age to age 59; City pays 95% of premium for 60-64 years of age
South Milwaukee Police	Retirees prior to normal retirement age pay full premium; City pays 75% for retirees age 53-59; full premium for 60-64
St. Francis Fire	City pays 80% of the premium frozen at time of retirement; coverage ceases after 144 months (12 years) or at medicare eligibility which ever comes first
Tosa Fire	Hired before 1992 - full premium but not to exceed 110% of preceeding premium 1992 – 2008 95% of premium; 2008 and after 50%
Tosa Police	City shall pay thereafter premiums for health coverage as follows: 1. For the period January 1, -1986 through December 31, 1986, the full amount of all premiums.2. Beginning January 1, 1987 and continuing each calendar year thereafter, the full amount of the premium but not to exceed 110% of the preceding premium. 3. For employees hired after January 1, 2008, the City shall provide one-half(50%) the total premium expense each year to every employee upon retirement at age 50.
Waukesha Fire/Police	City pays 50% of premium until medicare eligibility



2018 Employee Benefit Survey



Health Insurance

A large portion of the Employee Benefits Survey asked employees questions relating specifically to the City's health insurance coverage.

Most employees who identified as married or in a domestic partnership and were enrolled in the City's insurance plan chose the plan because its coverage was superior to the coverage offered by the City employee's spouse's employer.

If you are married or in a domestic partnership, which of the following best describes you?

My spouse/partner and I selected the City's plan because it is better for us than my spouse's available coverage.	43.17%
My spouse/partner and I are on the City's plan because this is our only option for employer sponsored health insurance.	40.09%
My spouse/partner's employer offers health insurance coverage and my spouse and I are enrolled in that plan.	7.93%
My spouse/partner/s employer offers health insurance coverage. S/he is enrolled in his/her employer's plan and I am enrolled in the City's plan.	7.93%
My spouse/partner's employer does not offer health insurance coverage, and we are not using the City's coverage. We are insured through a private insurer or healthcare exchange.	0.88%

Employees who reported that they were enrolled in their spouse or partner's employer's insurance were also asked to cite the reason for choosing that coverage over the City's plan.

Respondents reported:

I was able to secure a better or cheaper insurance coverage on the private market	2.13%
The coverage offered to me by my spouse/partner's employer is less expensive.	8.51%
The City's premiums are too expensive.	10.64%
The coverage offered to me by my spouse/partners's employer is more comprehensive.	14.89%
Other (please specify)	63.83%

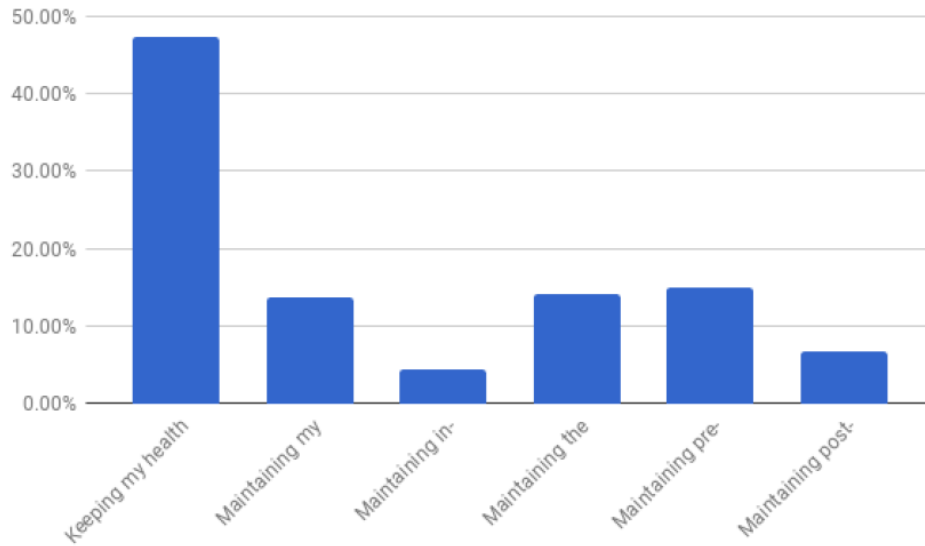
It is important to note that this question elicited answers in the "Other" field from respondents who WERE using the City's health insurance. It was unclear to respondents that only employees who were NOT using the City's coverage but were using their employer's coverage needed to respond to this question.

Additional reasons specified in the "other" field included:

- City employee was enrolled in parents' coverage until the age of 26
- Spouse/partner's provider network was more appealing
- Spouse/partner's plan offered better coverage and was less expensive than City's plan
- City employee's spouse/partner was retired, and employee was enrolled in his/her retiree plan

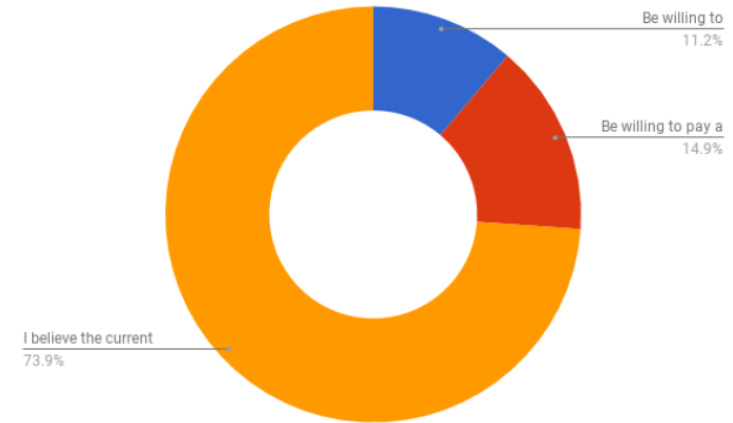


If you are currently enrolled in the City's health insurance, please rank the following items in order of importance to you:



Keeping my health insurance premiums at current or similar levels	47.35%
Maintaining my current healthcare providers (doctor network)	13.69%
Maintaining in-network deductible levels	4.53%
Maintaining the current plan design/benefit levels	14.07%
Maintaining pre-medicare retiree coverage	14.94%
Maintaining post-medicare retiree coverage (if eligible)	6.67%

If you are currently enrolled in the City's health insurance plan, In order to have access to a broader provider network, would you:



Be willing to participate in a Consumer Driven Health Plan with an HSA.	11.19%
Be willing to pay a higher premium, premium share, copays, coinsurance, and deductibles.	14.93%
I believe the current provider network is adequate.	73.88%

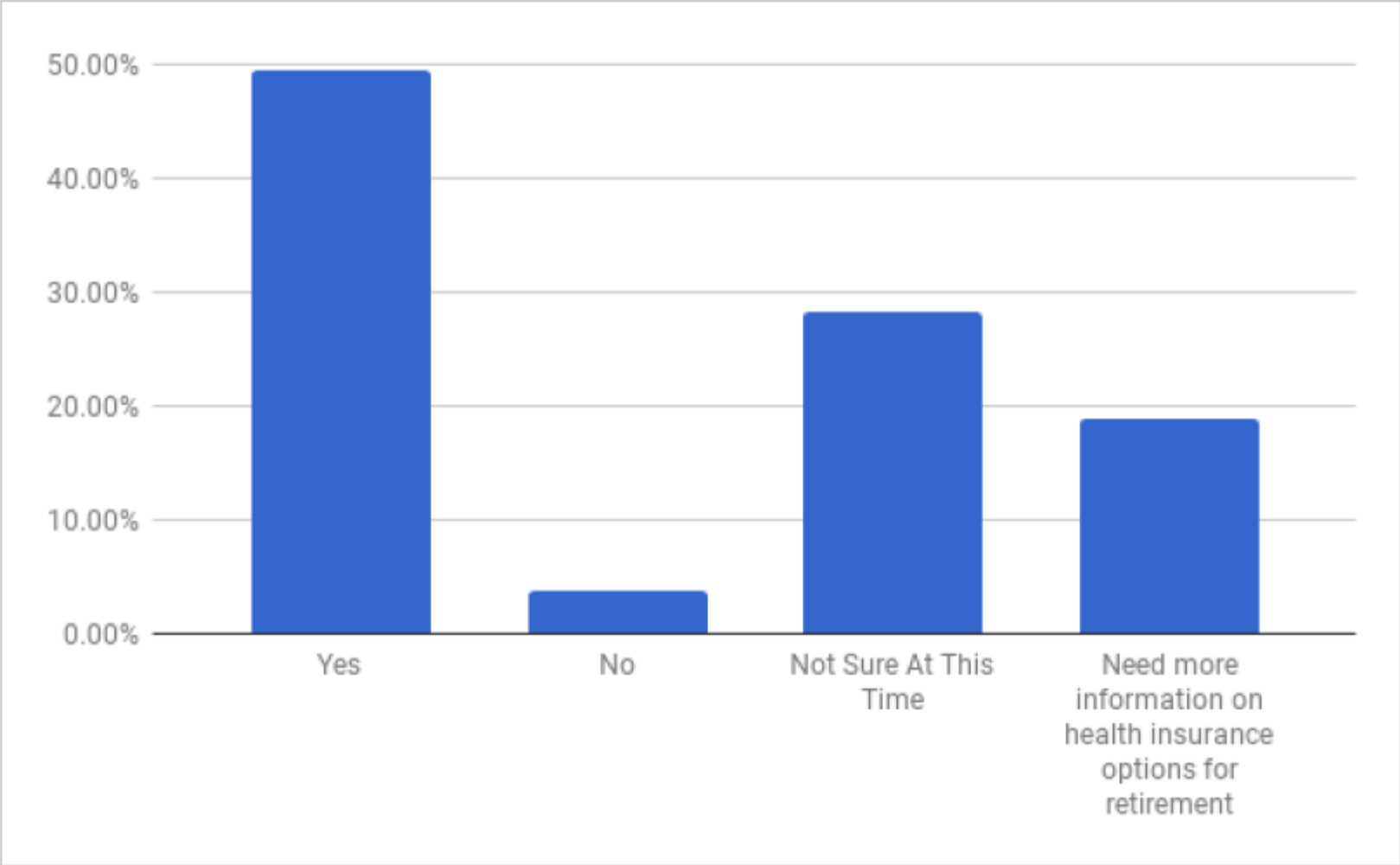


Maintaining premium costs is most important to employees.

The survey revealed that most employees are satisfied with the current provider network and are not interested in changes to the current plan in order to expand the network.

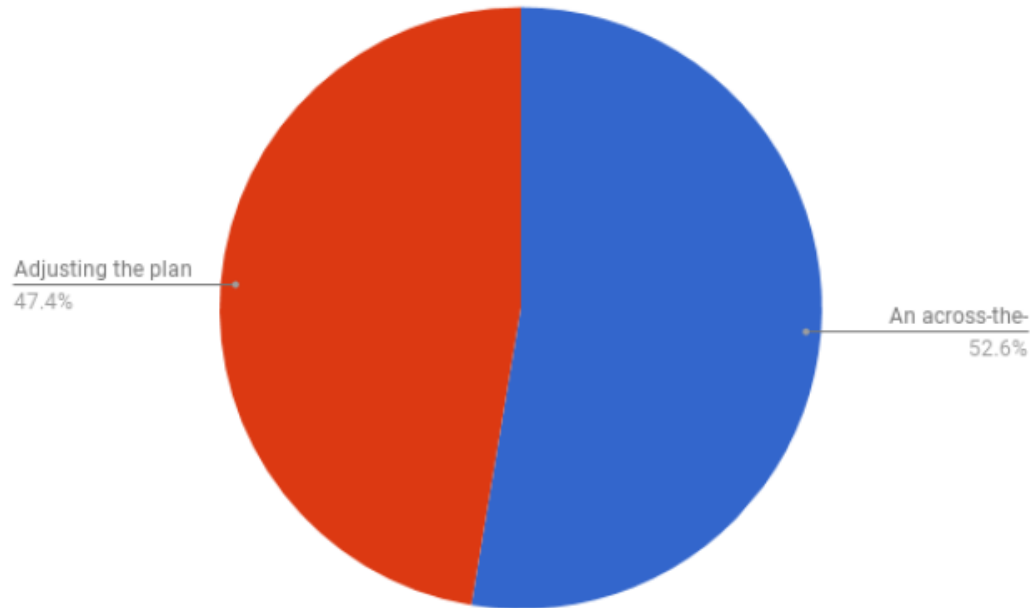


Nearly half of all employees plan to use the City's health insurance upon retirement.



Employees were asked:

Rising health care costs make it exceedingly difficult for the city to balance its budget each year due to state imposed expenditure limits and levy limits. In addition to other cost control measures and efficiencies this means the rising employee and retirees health care costs are shared between those covered by the health care plan and the city. If this change becomes necessary, which of the following would you prefer?



An across-the-board premium share increase, (i.e. increasing the 10% portion of the premium that most employees currently pay to 12% or 15% or 20%, etc). With this all employees incur the same increase.	52.63%
Adjusting the plan structure, such as increasing co-pays, coinsurance, office visit fees, deductibles, out-of-pocket limits. With this those using the coverage have some ability to control the increase they incur based on health care and lifestyle choices.	47.37%

Benefits Selected as Most Important by Tenure:

	Employed 5 Years or Less	Employed 10 Years or More
Access to City-Sponsored Retiree Health Care Prior to Age 65 or Medicare Eligibility	7.25%	27.98%
Access to City-Sponsored Retiree Health Care After Age 65 or Medicare Eligibility	1.45%	2.99%
Competitive Salary/Base Pay	69.86%	46.15%
Annual Cost of Living Increases to Base Pay	6.85%	9.47%
Other Compensation Increase Opportunities (Pay for Performance raises and bonuses)	2.86%	1.81%
Broad Health Insurance Network of Providers	2.78%	2.98%
Other benefits - paid sick leave, vacation, random holidays, etc (i.e, paid time off)	8.45%	8.82%

Competitive Salary and Base pay is #1 benefit for all employees

Plans

Benefit Level Comparison

Pre 2013 Retirees

- **Only affected by Premium Changes**
- Coverage for Life (Employee, Spouse and Eligible Dependents)
- 10 years of Service qualification for retiree health care
- Premium Rate – Percentage (5%/7.5%) plus capped contribution based on rates in place at time of retirement
- Benefit Levels – Coverage Provided at time of Retirement (No deductibles, limited prescription and co-pays)

Post 2013 Retirees

- **Affected by Premium Changes and Plan Design Changes**
- If hired before 4/1/08*, Coverage for Life
- If hired before 4/1/08*, 10 years of Service qualification for retiree health care
- Premium Rate – Percentage (7.5/10/12%) plus capped contribution based on rates in place at time of retirement
- Benefit Levels – Adjust with active benefit levels (“Roll with Actives)

*other dates dependent upon contracts

Active Employees

- **Affected by Premium Changes and Plan Design Changes**
- If hired before 4/1/08*, Coverage for Life, after 4/1/08 coverage til Medicare eligibility; after 11/1/18 (or TBP opt in) coverage for 10 years or until Medicare eligibility
- If hired before 4/1/08*, 10 years of Service qualification for retiree health care; hired on/after 4/1/08 15 years; hired on/after 11/1/18 20 years
- Premium Rate – Hired before 11/1/18 or legacy benefit employee - Percentage (12/14%) plus capped contribution based on rates in place at time of retirement; Hired on/after 11/1/18 – established annual min 50%; TBP opt in – hired before 4/1/08 20%; TBP opt in₂₃ hired after 4/1/08 35%

What Health Plans Does the City Offer Today?

- Essentially the City's has 2 different plans
 - Pre-2013 Retiree
 - Post-2013 Retiree and Active

(Post 65 Retirees are on a Humana Medicare Advantage Plan)

Pre-2013 Retiree Plans

- Benefits remain the same as in effect the year of retirement
- **Only affected by premium changes**
- No out of pocket costs for in-network services (no deductible, copays, or coinsurance)
- Either a \$3/5/5 or \$10/20/30 drug copay plan
- Claim example #1:
 - Member takes specialty medication that costs \$5,000 per month
 - Out of pocket: \$360
- Claim Example #2:
 - Member has extensive inpatient stay for 30 days costing \$200,000
 - Out of pocket: \$0
- There are 102 retirees in this class
 - 40 single
 - 44 Employee + 1
 - 14 Full families

Post-2013 Retiree and Active Plan (481 Active, 111 Retirees)

City of West Allis			
2019-2020 Medical Plan Design Summary			
		Anthem PPO Plan	
		Current	
Network		Blue Priority	
		In-Network	Out-of-Network
Deductible	Individual	\$100	\$7,500
	Family	\$300	\$15,000
Out of Pocket Maximum (Medical + Rx)	Individual	\$4,850	\$15,000
	Family	\$9,700	\$30,000
Coinsurance		100%	80%
Hospitalization		100% after ded	80% after ded
Emergency Room		\$150 copay and 100% after ded	
Urgent Care		100% after ded	
Primary Care Office Visit		\$20 copay	80% after ded
Specialist Office Visit		\$40 copay	80% after ded
Preventive		100% no ded	No Coverage
Telemedicine		\$20 copay	80% after ded
Prescription Drugs		\$0 Generic Incentive Drugs	
	34 Day Supply	\$15/\$25/\$35/5% to \$100 max	
	Mail Order Rx (90 Day Supply)	\$30/\$50/\$70/5% to \$100 max	

Horton Recommendation

- Increase premiums 7% for Actives and 11% for retirees
- See plan decrement sheet for proposed changes to Active and Post-2013 retiree plans

Alternative Proposals to Reduce Retiree Premium Increase

Option 1 –

- Retirees Opt in (or remain with the original recommendation of 11%)
- 7% increase for actives and post 13 retirees
- 0% increase for Pre-13 Retirees
- “Roll with Actives” for Benefit Levels
- Retiree Participation in Voluntary Benefits (Vision, Dental, etc.)
- Once leave cannot return
- Family Coverage 10 years or Age 60
- Coverage ends at 65 or Medicare
- Participation in Medicare Advant. Program (if offered)
- Future increases for retirees limited to double active costs based on each groups cost

Option 2 (Retiree Only Plan) –

- Retirees Opt in (or remain with the original recommendation of 11%)
- Actives: See original recommendations
- Retirees 0% increase with decrements from original plan except deductibles are \$750/\$2250
- Decrement apply to all retirees who choose this option
- Future Premiums and Benefit levels may adjust annually
- Once leave cannot return
- Family Coverage 10 yrs or Age 60
- Coverage ends at 65 or Medicare
- Participation in Medicare Advant. Program (if offered)

Option 3 – 7% all

- Retirees Opt in (or remain with the original recommendation of 11%)
- All participants have 7% increase
- Decrement from original plan except deductibles are \$500/\$1000
- Decrement apply to all
- “Roll with Actives” for Benefit Levels
- Future Premiums and Benefit levels may adjust annually
- Once leave cannot return
- Family Coverage 10 yrs or Age 60
- Coverage ends at 65 or Medicare
- Participation in Medicare Advant. Program (if offered)
- Future increases for retirees limited to double active costs based on each groups cost

Related content

[Glossary of Insurance Terms](#)

[Learn how deductibles and out-of-pocket costs affect your total costs of care](#)



Questions?

