



CITY OF GROSSE POINTE WOODS MEMORANDUM

Date: October 14, 2024
To: Mayor and City Council
From: Frank Schulte, City Administrator
Subject: Public Act 152

In 2011, Governor Snyder signed into law Public Act (PA) 152 which was enacted to limit a public employer's expenditure for employee medical benefit plans. For medical plan coverage beginning on or after January 1 of each year, a public employer that offers or contributes to a medical benefit plan for its employees or elected public officials shall pay no more of the annual costs, and a payment for reimbursement of copays, deductibles, or payments into H.S.A. or similar accounts used for health care costs, than a total amount equal to the Hard Cap.

Public entities are required to comply with one of the following:

- Hard Cap;
- 80/20-employer pays no more than the 80% of costs/employees pay 20% of costs;
- Opt-Out at a negotiated rate.

In 2017, the City of Grosse Pointe Woods elected the Hard Cap option under PA 152. The Hard Cap cost is included in the city's union contracts and states that all employees are obligated to pay the amount that exceeds the limit.

For the first time in 2024, the Hard Cap exceeded the allowable limit by \$86,113. The council voted to opt out of covering the overage, and employees were not charged.

In 2025, the Hard Cap will exceed the allowable limit again in the amount of \$268,083. Furthermore, it is estimated to increase an additional 3% in 2026.

Manquen Vance has prepared the attached document outlining the city's following options:

1. Cover Hard Cap overage
2. 80/20
3. 90/10 (Opt-Out)

After meeting and reviewing PA 152 options with Manquen Vance, Administration has come up with a 3-year step plan that would ultimately move to the 80/20 plan as required by PA 152. To ease the financial increase to the employees, we are recommending the following 3-year step plan: 2025 to move to option #3: 90/10 opt-out; 2026: 85/15 opt-out; 2027: 80/20 as required by PA 152.

The opt-out requirements of Act 152 require a 2/3 vote of the governing body.

Attachment

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OCT 14 2024

CITY OF GROSSE POINTE WOODS
CLERK'S DEPARTMENT



City of Grosse Pointe Woods

2025 MI PA-152 Analysis

BCBSM SB2000	<u>Annual Gross Cost</u> \$1,454,638	<u>Annual Hard Cap</u> \$1,186,556	<u>Over/Under Hard Cap</u> \$268,083
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Development of potential contributions - Calendar Year 2025			
80% / 20%			
2025 Rates - Per 26 Pays			
<u>Current Enrollment</u>	<u>Total Plan Rate</u>	<u>City Cost</u>	<u>Employee Cost</u>
Single 16	\$365.67	\$292.53	\$73.13
Two Person 15	\$797.60	\$638.08	\$159.52
Family 39	\$977.77	\$782.21	\$195.55
Per Pay Total 70	\$55,948	\$44,758	\$11,190
Annual Total	\$1,454,638	\$1,163,711	\$290,928
Difference from Hard Cap		-\$22,845	\$22,845

Development of potential contributions - Calendar Year 2025			
90% / 10%			
2025 Rates - Per 26 Pays			
<u>Current Enrollment</u>	<u>Total Plan Rate</u>	<u>City Cost</u>	<u>Employee Cost</u>
Single 16	\$365.67	\$329.10	\$36.57
Two Person 15	\$797.60	\$717.84	\$79.76
Family 39	\$977.77	\$879.99	\$97.78
Per Pay Total 70	\$55,947.62	\$50,352.86	\$5,594.76
Annual Total	\$1,454,638	\$1,309,174	\$145,464
Difference from Hard Cap		\$122,619	-\$122,619

Note: Total Plan Rate includes HSA Funding assuming current levels of \$1,700 single / \$2,000 Two Person and Family