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City workers, pay your share

Health care benefits are unaffordable and unsustainable

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The cost of health insurance for New York City public employees and retirees is projected to grow by almost 40% by 2016 — rising to nearly $7 billion a year. That growth will amount to $1.5 billion of the $1.9 billion budget deficit projected for 2016.

A major contributor to the skyrocketing cost is the fact that more than 90% of the city's workforce is enrolled in health plans that require no employee contribution toward the cost of the premium for individual and family coverage. That's right, zero.

In addition, the city pays the full cost for employees and their families if they retire before the age of 65. And, when they enroll in Medicare at age 65, retirees and their spouses are reimbursed by the city for the full cost of the Part B premiums.

It's time for New Yorkers, including those running for mayor, to face stubborn facts: While benefits this generous may seem nice, they are fiscally unsustainable for a city whose budget is stretched.

To put New York City's practices into perspective, the Citizens Budget Commission recently conducted an analysis of health insurance premium-sharing arrangements for employees and retirees in the public and private sectors in the United States. (The resulting report is available at www.cbcny.org.)

The study looked at the policies of the federal government, New York State and six large U.S. municipalities (Los Angeles, Chicago, Boston, Houston, Phoenix and San Francisco), as well as large corporations statewide and nationwide. It found that New York City's practices give employees and retirees more, and ask less of them, than the vast majority of other employers.

Employee contributions toward the cost of their health insurance premiums are the norm across the country. Most commonly, employees contribute up to 25% of the premiums for single coverage and family coverage.

In New York, both the public and private sectors typically require employee contributions toward the cost of health insurance premiums.

On average, private sector employees contribute 20% for individual coverage and 23% for family coverage. New York State has required premium-sharing since 1983, with employees contributing up to 16% for individual coverage and 31% for family coverage. In other large cities like Boston, Phoenix and Houston, employees pay between 20% and 27.5% of premiums.

Not true of the vast majority of New York City employees.

And the city is also way out of step on retiree health benefits. While retiree benefits are on the decline in the private sector, they are still common in government. Yet typically, municipal governments require retirees to pay a greater share of premium costs than employees. It's extremely rare for public employers to pay the full cost of the premium for retiree family coverage.

And, for retirees over age 65, no other government surveyed reimbursed all retirees and their spouses for the premium cost of Medicare Part B; most offer no reimbursement at all.

It's time for lawmakers and labor to reach an agreement to implement premium-sharing. City employees should contribute 10% for individual and 25% for family coverage, similar to most U.S. workers. Retirees should pay for 50% of the premium, and reimbursement for Medicare Part B should be phased out.

The resulting savings would be substantial and immediate, totaling $1.8 billion in fiscal year 2014 and rising to $2.2 billion in fiscal year 2016.

Mayor Bloomberg has sought such reforms in negotiations with the Municipal Labor Committee; however, the only health deal negotiated since the recession increased deductibles and co-payments for services, shifting costs to those with medical needs rather than evenly distributing the burden. The city's current health insurance agreement, like most labor contracts, has expired, but remains in effect until a new deal is reached.

Meaning, this task will likely fall to the next mayor. The mayoral candidates are eager to discuss their leadership credentials and ambitious agendas on important topics like housing and schools. But whoever wins will quickly realize that the ability to enact transformative new efforts will be undercut by growing health insurance costs — unless they wrestle with health-care costs.

These changes would still only require city employees and retirees to pay for what's normally required of other employees and retirees across America. They would not make city government jobs any less attractive, because the benefits would be in keeping with standard practice.

The city should always provide the salaries and benefits needed to attract a qualified workforce. Paying more than that takes scarce resources away from other vital services that the public needs.