Published in the

THE HUFFINGTON POST

Reining in New York City's Skyrocketing Health Insurance Costs

April 17, 2013

By Carol Kellermann

Mayor Michael Bloomberg did not say it directly, but his preliminary budget for fiscal year 2014, which begins July 1, makes clear that the growing cost of health insurance for city employees and retirees has to be brought under control. The City's employee unions, whose contracts have expired, may prefer to wait and negotiate with the next mayor, but the election won't change the fiscal reality: the City's share of health insurance premiums for city workers and retirees is high in comparison to norms in the private and public sectors.

Most of the City's other major expenditures are under control. Between fiscal years 2013 and 2017, growth in pensions and Medicaid, once budget-busters, will be restrained by State policy changes. City employee headcount, under the Mayor's control, is projected to be steady, and wage growth is assumed to be 1.25 percent a year over the next four years, although contract negotiations are still to take place.

In contrast, health insurance costs are projected to grow about 40 percent, outpacing the next highest expenditure, debt service, at 30 percent. Health insurance will rise to nearly $7 billion in 2016, when it will equal 80 percent of the city's projected budget deficit.

More than 90 percent 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. In addition, the city pays the full cost for retirees and their families if they retire before the age of 65. And, when retirees enroll in Medicare at age 65, they are reimbursed by the City for the full cost of the Part B premiums.

A recent study by the Citizens Budget Commission put the City of New York's practices into perspective, revealing that they are more generous than the vast majority of other public and private-sector employers. Employee contributions for their health insurance premiums are the norm nationally. Most commonly, employees of large organizations contribute up to 25 percent of the premiums for single coverage and family coverage. Particularly relevant comparisons for New York's municipal workers are cost-sharing arrangements for New York State employees (12-27 percent of the premium depending on the employees' income and whether dependents are covered) and for federal employees in the New York area (typically 25 percent of the premium for both individual and family coverage).

The city's policies are most generous with respect to retirees. It's extremely rare for public employers to pay the full cost of the premium for family coverage for retirees under age 65. For those over age 65, no

Published in the
THE HUFFINGTON POST

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

There's no getting around the reality that the taxpayers' obligations for health insurance for city employees and retirees will have to be controlled through premium-sharing. The CBC estimates that annual savings of $1.7 billion can be achieved by requiring contributions of up to 25 percent from employees and 50 percent from retirees, and eliminating the Medicare Part B reimbursement.

The issue may have to wait until next year, but confronting it is unavoidable.