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Testimony on the New York City Health Insurance for Employees and Retirees

Submitted to the New York City Council Committee on Civil Service and Labor

January 9, 2023

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Good morning. I am Ana Champeny, Vice President for Research at the Citizens Budget Commission (CBC), a nonpartisan, nonprofit think tank and watchdog devoted to constructive change in the finances and services of New York State and City governments. Thank you for the opportunity to submit testimony regarding health insurance coverage for City employees, City retirees, and their dependents.

CBC has long advocated bringing health care benefits for New York City's retirees and active employees more in line with other public and private sector workers. This would be appropriate and reduce ongoing City costs, increasing the City budget's sustainability and preserving the City's ability to provide services.

New York City's employees and retirees have non-contributory plans, whereas New York State employees and retirees contribute to premiums for health insurance, as do most private sector workers. With health insurance costs budgeted to increase at a rate of 8.5 percent per year between fiscal years 2023 and 2026, efforts to restrain the City's costs are critical.

The agreement between the City and Municipal Labor Committee (MLC)—a consortium of municipal labor unions that negotiate with the City for health benefits for all City workers—is a positive step forward. It would allow retirees to either continue with a premium-free option by enrolling in the new Medicare Advantage Plus plan or remain in their current Medigap program and pay a roughly \$200 monthly premium. The free option is designed to be as good as plans many Medicare beneficiaries in the United States choose and pay for.

The City's annual costs would be reduced by around \$600 million, because the premium for the Medicare Advantage plan is paid for by the federal government. However, this would not provide City budget relief since the City and MLC agreed to direct those savings to the Health Insurance Stabilization Fund. While CBC does not support this choice, the agreement still is beneficial in restraining cost growth and reducing the City's other postemployment benefit (OPEB) liability, therefore it should be implemented.

Introduction 874 is a workable solution that allows the City-MLC agreement to move forward. Ultimately, the law in whole should be repealed since this level of benefit specificity should not be codified.

The City and MLC also should undertake a comprehensive review of health and welfare benefits for employees and retirees and agree on a set of policy changes that preserves employee health and welfare while reducing the City's costs to more manageable levels. These changes should include premium sharing for employees and pre-Medicare retirees, elimination of some or all of the Medicare Part B reimbursement, and consolidation of union welfare fund benefits.