

MEMO

To: City of Madison Elected Officials

From: City of Madison General Employees Associations - Local 6000, Local 236, MPSEA and MCAA

Re: Health Insurance Plan Design, Resolution # 39320 – Request to Assign 1.15% Increase

We are writing to provide information regarding resolution #39320.

In recent weeks, the employee associations and the administration have conferred to jointly develop this resolution that was introduced on Tuesday of this week. It calls for: a transition to the \$500/\$1000 deductible health care plan effective 1/1/2016, the annual prospective funding of legally established VEBA plans at an amount equal to 1.25% of wages commencing in December of 2016; a floor for wage increases of 2.25%, 1%, 1%, and 1% for each of the next four years respectively; a 1.15% increase, implemented at some point over the next four years; and a promise to maintain pay equity between the affected groups and others. We support the basic framework of this.

However, since the introduction of this resolution, the parties have become aware of a significant increase in the cost of healthcare for the City's employees that concomitantly provides a significant reduction in the cost of healthcare for the City. Whereas for the past several years the Unity UW Health HMO plan has been offered without any premium share requirement on the part of employees who chose that lowest-cost option, effective 1/1/2016 the roughly 65% of the City's employees who opt for the low-cost Unity plan will be required to pay about 5% of the premiums and the City will pay 5% less of those premiums. The dollar amount of this cost shift from employer to employee, as a result of the complicated averaging formula, is an additional \$354 for a single plan holders and \$842 for family plan holders. This is on top of two other anticipated changes to drugs card limits and deductibles.

We are concerned that the combination of these new costs to employees (see attached table) creates an unanticipated and challenging burden, that is very different from when the above framework was developed, and that must be addressed. **Although we continue to support this resolution, we ask that the City's elected officials assign, at a minimum, the unassigned 1.15% wage increase to a payment date in the first half of July 1, 2016.**

Thank you for your careful consideration of this important matter.