

DATE: March 16, 2011  
TO: Lee Holloway, Chairman, Milwaukee County Board of Supervisors  
FROM: Fred Bau, Interim Director, Labor Relations  
SUBJECT: Implementation of Adopted Health Care Plan Design Changes for Retirees

### **Background**

The 2011 Adopted Budget includes \$8.3 million in savings associated with health care plan design changes for retirees. However, approximately \$5.4 million could not be realized without agreement from several County bargaining units including DC48. With the passage of 2011 Wisconsin Act 10 (Budget Repair Bill), Milwaukee County can now make these changes for DC48 retirees. Doing so is critical to the County being able to achieve its 2011 Adopted Budget.

### **Issue**

The 2011 Adopted Budget included a new employee health care plan design for all non-represented employees (non-reps) and retirees, that was developed to better manage costs related to large claims, encourage utilization of appropriate health care resources and share health care costs. On January 1, 2011, those health care plan design changes were implemented for non-represented employees and those retirees who retired from the ranks of non-reps, or were represented prior to retirement by the Association of Attorneys, the Machinists union or TEAMCO.

Because of an arbitration decision from February 2008 that determined that retirees were essentially represented by the unions from which they retired (Case 1743, GRN:035298), the health plan changes could not be extended without negotiation to those retirees who retired as members of District Council 48, the Federation of Nurses, the Building and Trades Council, the Deputy Sheriffs Association and the Fire Fighters. However, with the adoption of 2011 Wisconsin Act 10 (Budget Repair Bill), Milwaukee County is permitted to extend the 2011 health care plan design changes to DC 48 retirees as was planned in the 2011 Adopted Budget.

This change will be implemented on May 1, 2011 for DC48 retirees only. It is important to note several details:

- Adopting this change will not affect active employees
- A person's retirement date has no effect on this change. If someone retires before or after this change goes into effect, this change will still effect them.
- This change does not affect eligibility for this benefit. DC48 retirees will continue to receive retiree health care.
- Cost-sharing and utilization management changes included in the 2010 and 2011 Adopted Budgets will apply to DC48 retirees as has been the case for retirees who retired from the ranks of non-reps, or were represented prior to retirement by the Association of Attorneys, the Machinists union or TEAMCO since Jan 1, 2011.

### **Recommendation**

On behalf of the Employee Benefits Work Group, I recommend that through the attached resolution, the County apply the 2010 and 2011 Adopted Budget healthcare changes to DC48 retirees. Any delay in doing so will cost the County more than \$400,000 per month. In addition, I recommend that this change be implemented for the retirees from the Federation of Nurses and Health Professionals and the Building and Trades Council upon expiration of their respective collective bargaining agreements.

1 From the Director, Department of Labor Relations, recommending that the Milwaukee County  
2 Board of Supervisors reaffirm the 2011 Adopted Budget policy of implementing health care plan design  
3 changes for all retirees and implementing the 2011 health care plan for those retirees previously  
4 covered under the 2007-2008 District Council 48 collective bargaining agreement.

5 **A RESOLUTION**

6 WHEREAS, the 2011 Adopted Budget included a new employee health care plan design for all  
7 non-represented employees (non-reps) and retirees, that was developed to “better manage costs  
8 related to large claims, encourage utilization of appropriate health care resources and share health care  
9 costs”; and

10 WHEREAS, on January 1, 2011, those health care plan design changes were implemented for  
11 non-represented employees and those retirees who retired from the ranks of non-reps, or were  
12 represented prior to retirement by the Association of Attorneys, the Machinists union or TEAMCO; and

13 WHEREAS, because of an arbitration decision from February 2008 that determined that retirees  
14 were essentially represented by the unions from which they retired (Case 1743, GRN:035298), the  
15 health plan changes could not be extended without negotiation to those retirees who retired as  
16 members of District Council 48, the Federation of Nurses, the Building and Trades Council, the Deputy  
17 Sheriffs Association and the Fire Fighters; and

18 WHEREAS, with the adoption of 2011 Wisconsin Act 10 (Budget Repair Bill), Milwaukee County  
19 is permitted to extend the 2011 health care plan design changes to DC 48 retirees as was planned in the  
20 2011 Adopted Budget; and

21 WHEREAS, because the 2011 Adopted Budget included \$8,334,449 in health care savings based  
22 on extending the health plan design changes to all retirees, it is necessary to now extend the 2011  
23 health care plan design to all retirees as soon as practicable to mitigate the budget shortfall related to  
24 this initiative; and

25 WHEREAS, by adopting these changes in March 2011, the Employee Benefits Division will be  
26 able to implement the plan for DC 48 retirees on May 1, 2011, and the delay of only one month in  
27 implementation may reduce health savings by more than \$400,000; and

28 WHEREAS, it should be noted that the health plan changes are not contingent upon an  
29 individual’s retirement date; the changes – currently in effect for non-reps, non-rep retirees, and  
30 retirees from the Attorneys, Machinists or TEAMCO collective bargaining units -- will apply to a DC 48  
31 retiree regardless of when he or she retires; and

32 WHEREAS, it should further be noted that extending health care benefit plan changes to retirees  
33 does not apply to active employees; now, therefore

34 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby reaffirms its prior  
35 policy statement made in the 2011 Adopted Budget that the 2011 health care plan design, as adopted,  
36 shall be implemented for all eligible retirees not covered by a collective bargaining agreement; and

37 BE IT FURTHER RESOLVED, that upon the official publication of 2011 Wisconsin Act 10, the 2011  
38 health care plan design changes shall be extended to retirees from District Council 48, with an  
39 anticipated implementation date of May 1, 2011; and

40 BE IT FURTHER RESOLVED, that health care plan design changes shall be implemented for the  
41 retirees from the Federation of Nurses and Health Professionals and the Building and Trades Council  
42 upon expiration of their respective collective bargaining agreements.

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** 3/15/11

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** 2011 Plan Design Changes for Retirees

**FISCAL EFFECT:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact                                     | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required  | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues     |
| <input type="checkbox"/> Absorbed Within Agency's Budget   | <input type="checkbox"/> Decrease Capital Revenues     |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget   |  |
| <input checked="" type="checkbox"/> Decrease Operating Expenditures                                    | <input type="checkbox"/> Use of contingent funds       |
| <input type="checkbox"/> Increase Operating Revenues   |  |
| <input type="checkbox"/> Decrease Operating Revenues   |  |

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	<b>Expenditure or Revenue Category</b>	<b>Current Year</b>	<b>Subsequent Year</b>
<b>Operating Budget</b>	Expenditure	-3,851,946	-5,657,243
	Revenue	-770,389	-1,131,449
	Net Cost	-3,081,556	-4,525,794
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The 2011 Adopted Budget health care plan design changes will be applied to DC48 retirees

B. \$3,081,556 of savings will be realized in 2011 associated with this action. This is based on saving estimates provided by the County's Healthcare actuary as part of the 2011 Adopted Budget process. They have been reduced to reflect 8 months of actual savings and only reflect savings associated with DC48 Retirees. The 2012 number has been increased to account for a full year's worth of savings from DC48 Retirees as well as retirees from the Nurses and Trades. A medical inflation factor has also been applied.

C. \$8,334,449 of savings (\$6,500,870 net) has already been budgeted associated with retiree health care changes. The difference between this amount and the savings depicted in this fiscal note will largely be achieved by changes already applied to non-rep, Attorney, TEAMCO and Machinist retirees. A small portion will not be achieved due to the mid-year DC48 implementation and the inability of the County to apply this change to Deputy Sheriff and Firefighter retirees.

D. It is assumed that the Budget Repair Bill will be published and the County will be able to implement the changes. A medical inflation rate of 7% was applied to 25% of the total to account for plan design components that are expressed as a percentage and will increase with medical inflation. It is also assumed in 2011 that a partial year implementation results in 8 months worth of savings. Actual savings may be more or less than this amount depending on utilization. Since the savings will be realized in the Fringe non-departmental account, a 20% revenue offset amount has been assumed.

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Department/Prepared By John Ruggini

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No