


FROM	NAME & TITLE	Henry Raymond, Director of Finance <i>Joanna M. ...</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall		
	SUBJECT	City Council Bill 22-0211 – City Employees and Retirees- Healthcare Reform		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

June 28, 2022

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 22-0211, City Employees and Retirees-Healthcare Reform, the purpose of which is to establish the City Employees and Retirees Health Benefits Program.

The proposed legislation would expand upon the City’s current operational structure of the Health Insurance Committee (HIC), which engages employee labor organizations, by enabling these employee labor organizations to request up to four meeting per year and access to various documents, including gain and loss statements. In addition, it would limit the City’s ability to make changes to the health plan design and cost shares to any retiree plans post retirement. Under this legislation, once a retiree enters into a plan, the City would be unable to change it. This would require the City to manage multiple benefits plans with different plan designs, creating a fiscal and operational burden.

Locking in plans, as this legislation proposes, limits the City’s ability to contain costs. Maintaining the City’s authority to administer benefits plans is extremely important to ensure cost savings. From Fiscal 2005 to Fiscal 2010, the City’s cost of providing medical and drug benefits to employees and retirees grew by \$69 million, or 40%, from \$172.2 million to \$241.7 million. The City made addressing these costs a priority in the City’s 10 Year Plan, implementing multiple reforms to reduce costs, while maintaining strong benefits for employees and retirees. Most recently, these actions included:

- In Fiscal 2017, the City saved \$15.6 million by shifting several health care plans to a self-funded model and reducing Medicare supplemental plan reimbursements from 100% to 80%.
- In Fiscal 2019, the City saved nearly \$35 million by rebidding health care and prescription drug coverage contracts, as well as shifting from nine to four health care providers and switching to a new prescription drug provider.
- In Fiscal 2022, the City saved an estimated net \$10.5 million as a result of offering a new Medicare Advantage Plan to retirees, as well as raising active employee premium rates to address increasing health claim costs.

Due to these and other actions, the City has been able to reduce health care costs since 2010. The Fiscal 2023 budget includes \$192.8 million to cover employee and retiree health care costs. The proposed legislation would limit the City’s ability to make changes such as these, which would result in incalculable expenses for the City.

For the reasons stated above, the Department of Finance opposes City Council Bill 22-0211.

cc: Natasha Mehu
Nina Themelis