

# SUFFOLK COUNTY LEGISLATURE



Robert Lipp  
Director

## BUDGET REVIEW OFFICE

May 14, 2019

To: All Legislators

From: Robert Lipp  
Director of Budget Review

Subject: EMHP Memorandum of Agreement through December 31, 2025

The purpose of this memo is to identify potential costs and savings associated with proposed legislation to adopt changes to the terms and conditions of the July 31, 2012 Suffolk County Employees' Medical Health Plan (SCEMHP) Memorandum of Agreement that is currently due to expire at the end of 2025.

**Section 2i.** of the proposed agreement requires employees to contribute two percent of base salary towards their healthcare coverage. That contribution rate would then increase by ten basis points in each of the next five years (2021-2025) until it reaches 2.5% of base salary in 2025.

The agreement would also require that contributions shall not be less than \$1,500 nor exceed \$3,750 per year. The cap will then increase to \$4,000 on December 31, 2025. These contributions will replace contributions toward healthcare costs that are currently made by employees hired after January 1, 2013. BRO calculates the annualized net revenue to the County from these action to be \$11.3 million in 2019, \$13.3 million in 2020, \$13.9 million in 2021, \$14.5 million in 2022, \$15.1 million in 2023, and \$15.7 million in 2024.

**Sections 2ii. through 2xxi.** detail modifications to the Plan which the EMHP Benefits Consultant has calculated will save the County between \$6.6 million and \$7.1 million in 2019, and \$19.9 million to \$21.3 million on an annual basis starting next year (2020).

**Section 3** of the MOA states that on or before June 1, 2020 the EMHP Healthcare consultant will put together a list of additional options for cost saving modifications. From that list SCOPE will be given three options. SCOPE must notify the County on or before September 1, 2020 of modifications from the list that it agrees to have implemented by the EMHP beginning in 2021. The options are

- If SCOPE decides to choose at least \$13 million in plan modifications per year, the agreement continues through the end of 2025 and cost savings of \$13 million per year or \$65 million over five years (2021-2025) will be realized,
- If SCOPE chooses at least \$6 million in plan modifications, but less than \$13 million per year, then the term of the agreement will be amended to expire December 31, 2024 and there will be a loss of \$7 million (\$13 million) per year or \$28 million over four years (2021-2025).
- If SCOPE does not notify the County before September 1, 2020, the term of the agreement will be amended to expire on December 31, 2023 and cost savings of \$13 million per year or \$39 million over three years (2021-2023) will not realize,

**Section 4** of the MOA states that the parties will endeavor to maintain EMHP cost increases within the rate increases experienced by the New York State Health Insurance Program's Empire Plan (NYSHIP).

- If the 3-year average rate of increase for EMHP is greater than 1% below NYSHIP's 3-year average rate of increase, then SCOPE will receive a credit for the amount greater than 1% below.
- If EMHP exceeds the NYSHIP by more than 1% then SCOPE may apply any credits it may have.
- If EMHP's average rate of increase exceeds NYSHIP's by more than 1% after applying credits, then the parties will negotiate cost saving modifications.
- Surplus cost saving modifications will be carried forward as a credit for SCOPE'S use in the future.
- If EMHP exceeds the NYSHIP rate by more than 3% then either party may elect to replace EMHP with NYSHIP unless both parties agree to binding arbitration.

If any surplus cost savings exist from plan modifications then the excess will be carried forward as a credit for SCOPE's use in the future. If the parties are unable to agree on cost saving modifications and EMHP's average rate of increase is greater than the NYSHIP 3 year average rate of increase by more than 3% then either party may elect to replace EMHP with NYSHIP unless both parties agree to binding arbitration. The costs or savings to either party are indeterminate pending NYSHIP rate increases in comparison to EMHP rate increases.

**Section 5** states that all reconciliations required by the July 31, 2012 MOA between the parties and any potential increase or decrease to EMHP benefits resultant from the reconciliations are deemed satisfied. The fiscal ramifications of this section remain unclear as the only official reconciliation covering the years 2013-2014 indicated that the Unions owed \$19.77 million.

**Section 6** states that all employees hired after January 1, 2013, upon retirement, shall continue to pay health care contributions at the same dollar amount that they were paying at the time of their retirement. Additionally there are three requirements that must be met to ensure that they are entitled to health coverage in retirement. Savings to the County will materialize if this subset of employees fail to meet the requirements for healthcare in retirement and when they begin to pay toward healthcare whereas retirees hired prior to January 1, 2013 do not. The savings to the County are indeterminate pending retirement contribution rates established in the future.

In summation, the following table illustrates what we believe to be the range of potential savings to the County in 2019-2023. Many assumptions must be employed in order to project future revenues and savings to the County that are in part based upon future base salaries including staffing levels, retirements, new hires, and contractual salary enhancements. Variations in the assumptions employed in generating these projections may help explain some of the differences to estimated savings to the County.

<b>BRO Projected Savings to the County</b>					
<b>Year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Max Savings</b>	\$ (10,867,533)	\$ (32,607,600)	\$ (47,607,600)	\$ (48,207,600)	\$ (48,807,600)
<b>Min Savings</b>	\$ (10,399,700)	\$ (31,204,100)	\$ (33,204,100)	\$ (33,804,100)	\$ (34,404,100)
<b>Mid Savings</b>	\$ (10,633,617)	\$ (31,905,850)	\$ (40,405,850)	\$ (41,005,850)	\$ (41,605,850)

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