




# MIAMI BEACH

OFFICE OF THE CITY MANAGER  
NO. LTC # 272-2012

## LETTER TO COMMISSION

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TO: Mayor Matti Herrera Bower and Members of the City Commission  
FROM: Kathie G. Brooks, Interim City Manager   
DATE: October 19, 2012

SUBJECT: Referral to Budget Advisory Committee – Discussion on Health Care Costs

This Memorandum is to provide the Mayor and Commission with an update on the August 29, 2012 referral by the Committee of the Whole (Committee) to the Budget Advisory Committee (BAC) regarding the City's health care costs. The Committee recommended that the BAC examine the City's medical premiums by plan, and perform a tier-by-tier analysis of what each medical plan is receiving in premiums and what it is costing.

On October 16, 2012, the BAC met to discuss the City's health care costs. To help facilitate the BAC's discussion, the City's employee benefits consultant, Gallagher Benefit Service (Gallagher), provided the BAC members with a review of the cost components of the current medical plan options; suggested medical plan changes that can be implemented in order to share more of the costs with the employees; compared the City's medical plans with other employers, both in the private and public sectors; and reviewed the self-funded medical plan experience of other employers based on their filings with the State.

Additionally, the City's Benefit Administrator provided the BAC members with a synopsis of the City's current medical plans, as well as the City medical plan history from a fully insured health care plan implemented in the late 1980's, to a self-funded medical plan in 2009. The Benefit Administrator also apprised the BAC of the medical plan's current struggles with an aging employee population and a large number of retiree participants.

At the conclusion of the presentations, the BAC determined that an in depth review of the City medical plan was necessary, requiring further research. A motion was made and unanimously approved by the BAC members to create a sub-committee of two that would work with Gallagher and City staff to review and recommend options to the BAC. The sub-committee will examine the feasibility of:

- Reverting to a fully-insured medical plan (this will require issuing an RFP to evaluate all of the City's options);
- Reducing the number of medical plans offered;
- Restructuring medical plans benefits (to possibly parallel private sector plans);
- Changing the City's premium subsidy to pre-Medicare retirees; and
- Reducing the plan's administrative costs.

City staff is working with the sub-committee and Gallagher to schedule the first sub-committee meeting the week of October 22, 2012.

The BAC members understand the urgency of the Commission's request, and have expressed their willingness to complete this task as quickly as possible, and to have a recommendation to the Commission within the next three months.

Should you have any questions, or need additional information, please feel free to contact me.

  
KGB/REG/SR