



500 West Big Beaver  
 Troy, MI 48084  
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# CITY COUNCIL AGENDA ITEM



Date: February 25, 2025

To: Frank Nastasi, City Manager

From: Robert J. Bruner, Deputy City Manager  
 Robert Maleszyk, Chief Financial Officer  
 Jeanette Menig, Human Resources Director

Subject: PA 152 - Publicly Funded Health Care

## History

Public Act 152 of 2011 established limits on the amount that public employers pay toward employee medical benefit plans. Coinciding with each medical insurance plan year (the City’s plan year begins April 1), we must address the alternatives and affirm the City’s direction in this matter with a City Council resolution.

The alternatives are:

- **Hard Cap** - The hard cap limits the amount a public employer can contribute to employee health insurance costs; for plan years beginning on or after January 1, 2025 the employer cannot pay more of the annual costs for health insurance than a total amount equal to:
  - \$ 7,718.26 – times the number of employees with one-person coverage
  - \$ 16,141.28 – times the number of employees with two-person coverage
  - \$ 21,049.85 – times the number of employees with family coverage
- **80/20** - The 80/20 option states the employer may not pay more than 80% of the total annual costs of all the medical benefit plans it offers or contributes to for its employees.
- **Opt-Out** - The opt-out allows the local unit of government to exercise its discretion to determine what premium share contribution is desired for their organization.

Since the inception of PA 152, the Troy City Council has voted to opt out each year.

## Financial

The financial impact of each option is estimated below:

**Estimated Cost Allocation by Option (2025/26 Plan Year Rates)**

PA 152 Option	Employee Share	City Share	Total
Opt-Out	397,738	7,557,019	7,954,757
Hard Cap	1,990,399	5,964,358	7,954,757
80/20	1,590,951	6,363,806	7,954,757

Note that our current medical plan is self-funded; accordingly, actual costs (experience) will likely differ somewhat from illustrative rates used in the above table. Similarly, the computations are made based on our current healthcare enrollment (397 full-time employees choosing 1 person, 2 person, family enrollment or no coverage); there are always healthcare enrollment changes throughout the plan year.

While overall cost is one consideration, the impact on each individual is another. This year, the effect of PA 152 options on an individual City employee cost share would be as follows:

**Annual Employee Premium Share (2025/26 Plan Year Rates)**

<b>Type of Coverage</b>	<b>Current 5% (Opt-Out)</b>	<b>Hard Cap*</b>	<b>80/20</b>
1 person	\$ 469	\$ 1,625	\$ 1,876
2 person	\$ 1,125	\$ 6,282	\$ 4,500
Family	\$ 1,407	\$ 6,980	\$ 5,628

\* Hard Cap may be allocated alternatively

It should be noted that any option change would only affect non-union, full-time employees (currently 164 employees) until each union collective bargaining agreement expires and contribution rates can be changed for those groups. Two collective bargaining agreements are expiring this calendar year, the American Federation of State County and Municipal Employees (AFSCME) and Michigan Association of Police (MAP), the other collective bargaining agreements expire in future years and would remain at the current contribution rate until the contract expires.

A primary reason to continue to opt out of the hard cap and 80/20 option is to continue to retain City's excellent medical insurance benefits as a recruitment and retention incentive – it helps to separate us from other employers. A secondary benefit of our model is the reduced hesitation to seek treatment for health concerns since our subscribers are not burdened by high deductibles and large out-of-pocket co-pays. Lower upfront cost encourages employees to seek timely treatment and possibly avoid the dangers of delayed treatment.

**Recommendation**

We recommend that City Council continues to affirm the City's direction in this matter by selecting the PA 152 opt-out alternative for plan year 2025/26.