



Genesee County Board of Commissioners

Commissioners

November 25, 2019

Bryant Nolden
District 1

Friends,

Brenda Clack
District 2

My colleagues and I promised to keep you informed regarding retiree healthcare. In this spirit, we are sending you this third update.

Ellen Ellenburg
Vice-Chair
District 3

In a previous letter, we mentioned that Plante Moran was hired as our consultant to analyze our healthcare costs. After some initial struggles with Blue Cross, Plante Moran has been provided with the data that was requested over a month ago. Our consultant tells us that when customers start to more thoroughly investigate costs, the insurance companies will typically start to slow the process in hopes, it would seem, that the employer will determine it to be too difficult and time consuming to investigate. As a result, the provider hopes that the employer will simply maintain the status quo. Genesee County does not have this option. Luckily we've hired top rated consultants that know how to play the insurance companies game.

Kim Courts
District 4

Mark Young
District 5

Shaun Shumaker
District 6

Martin Cousineau
District 7

Now that Plante Moran has obtained the reports from Blue Cross they can perform a more in depth analysis in order to find ways to carve out savings. While we are still expecting recommendations from Plante Moran in December, there is a chance that we will need to extend our timeline into the New Year. In the meantime, as discussed previously, our Board has fully funded retiree healthcare this fiscal year. Your benefits have not changed.

Ted Henry
Board Chair
District 8

David Martin
District 9

Many of you have asked how Genesee County got to the point where retiree healthcare has become such a significant challenge. Frankly, it was a slow process. Genesee County, as we all know, is not what it was even 10 years ago. Our changing economy and the recession made it very difficult to live up to the promises that were made when 80,000 GM jobs were here. The great recession really emphasized our precarious situation. As tax collections were cut in half, our expenses continued to rise.

As our economy improved, the State Constitution, specifically the Headlee Amendment and Proposal A, limited the increase in the amount of taxes the county could collect. As a result, we are not expected to return to 2008 levels of tax collection until 2021. For example, during the 10 year period of 2008 to 2018, tax revenue fell from \$56 million to \$48 million annually.

During the same time, healthcare costs continued to dramatically rise at a double digit pace. In 2008, retiree healthcare costs about \$8 million annually. Compare that to 2018 when costs soared to over \$17 million annually. These significant increases forced the County to change healthcare benefits being offered to new retirees. In 2011, the board acknowledged the unsustainability of retiree benefit costs, and began to negotiate cost sharing for retiree healthcare. In essence, retirees moving forward would have healthcare options that mirrored active employees. This led to a multi-tiered system of healthcare where some newer retirees are paying for healthcare benefits, while others are afforded healthcare at little to no cost to the retiree. For instance, in the jumble of retiree healthcare plans, some retirees cost to the county exceeds \$40,000 annually for medical and prescription coverage. These types of no-cost promises were standard for the times because constitutional limitations on funding did not exist. Essentially, the county budget could absorb these costs. What was desirable then, is now a great challenge to maintain.

No one is to blame for our current state. We are actively seeking solutions to address this very significant budgetary constraint. We have constantly said that we do not want to harm retirees. We are very sensitive to the fact that in many cases, retiree healthcare costs could mean the difference between life and death. Working with the consultants we intend to strongly look at costs moving forward.

As always, should you have any questions, please do not hesitate to reach out to our office. We are more than happy to talk with you and give you any information that we have.

Best Wishes

Ted Henry, Chairman
Genesee County Board of Commissioners