Decoding the MLC's 'Healthcare Matters' Statements

By the NYC Organization of Public Service Retirees

1. The MLC Says:

The cost of healthcare has increased exponentially, more than doubling over the past 10 years in particular, during which hospital costs outpaced medical by a significant margin. While some view healthcare benefits and other forms of compensation separately, employers, including the City, have come to regard pay and benefits as a package, with consideration to the cost of each component. Stated simply, increased employer expense on healthcare negatively influences the ability to maintain quality benefits and impacts union bargaining goals to secure desired increases in wages.

The Truth:

This statement from the MLC makes it clear that unions are satisfied with settling for a 3% raise—but how will this raise be financed? By having employees absorb the annually increasing costs of healthcare until death, an expense that will well exceed the raise. The retirees are on fixed incomes, are no longer able to vote on contracts, and were not permitted to participate in these negotiations other than the UFT's own health committee which continues to misinform retirees. Amending Admin Code 12-126 would be saving money for the City by forcing vulnerable retirees to pay penalty premiums.

2. The MLC Says:

That said, the MLC and the City have recognized that increases in the cost of health benefits are not always driven by improvements in benefits. Outside pressures and actors play a role. Increased costs can result from inefficiencies, changes to provider structure or policy or the efforts of some service providers – for example, large hospitals – to use every artifice to maximize their profits. This reality presents both challenges and opportunities for the MLC and the City to work together to generate savings by leveraging their large size buying power, addressing loopholes and educating/incentivizing members to seek quality care from providers that eschew these bad tactics.

The Truth:

By adding co-pays and implementing prior authorizations to prevent health care utilization, as suggested in the Miliman and Segal analysis reports, the City and the MLC are guilty of the same profit-driven bad tactics while they lay blame on other market players. Emblem Health benefits by the implementation

of co-pays on fixed income retirees. The retirees absorb the cost, Emblem pays less, the City gets the benefit of the "savings" in the form of a reimbursement from Emblem at the end of the year. Adding increased costs and impediments to care access will have detrimental consequences for retirees, a large faction of which are elderly and have disabilities.

3. The MLC Says:

Understanding these challenges, the MLC and the City endeavored through the last two healthcare agreements to tackle these problems head on. Working through the Tri-Partite Healthcare Committee (comprising representatives of the MLC, City and chaired by Arbitrator/Mediator Martin Scheinman) targets for savings were set and options were stated to accomplish them. Together, we hit those targets, generating some $4.5 billion in recurring savings *without sacrificing benefits or significant additional cost*.

The Truth

There have been conversations stating $15 co-pays per service is "pecuniary" and the teachers should 'stop complaining'. However, the vast majority of city retirees earn under $25,000 annual pensions, and today, those co-pays forced on the most vulnerable are unaffordable. The proposed legislation change the MLC voted on paves the way for premiums on every employee, retiree and their dependents, by reducing the benchmark, which will potentially have the impact of forcing people off of the city plans and into Medicaid. Or worse, prevent them from even using the plan they have out of fear of expenses they cannot afford. That is a diminishment of access and benefits. The latter is happening right now dues to the new imposition of co-pays. Retirees are forced to choose between medical care and paying their utilites.

4. The MLC Says:

While these efforts were significant and successful, the cost of healthcare continues to rise steeply all over the country. Further complicating our specific situation is that the cost for the GHI-CBP program is outpacing that of the HIP-HMO program which results in a significant drawdown of the jointly overseen Stabilization Fund. The Stabilization Fund successfully served its purpose for some 40 years, but now has run its course unless dramatic changes are made.

The Truth

As identified by both the Comptroller and the Independent Budget Office, the Health Insurance Stabilization Fund (HISF) and Retiree Health Benefit Trust

(RHBT) have been used as slush funds. These funds have been described as "fungible" and have not been replenished when funds are withdrawn. In simpler terms, the $1 billion that was used for the 2014 UFT employee raises was not replaced with money, but allegedly with health savings on the backs of all city union members, active and retired. There were other options the unions could have taken to save money that didn't affect retirees, yet they chose not to pursue them.

5. The MLC Says:

While some would have preferred that the Medigap Plan remain free, allowing it to continue without cost would have eroded the anticipated pricing savings. In short, that option is unworkable and would effectively cede the estimated $600 million in annual savings altogether.

The Truth

In 1997, the cost of GHI Senior Care was about $89/month, compared to $191 in 2022. That is a 114.61% increase in 25 years. The cost of GHI CBP in 1997 was $173.81, compared to $854.44 in 2022. That is a 391.59% increase in the same 25 years. You can clearly see that it is <u>not</u> the Medicare eligible retirees whose plans are "skyrocketing."