

Statement from Mayor Suttle on Retiree Health Care Reform

April 20, 2010

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Our City continues to face a financial crisis. Based on the latest projection from City Finance Director Pam Spaccarotella, we face a \$9.8 million deficit for 2010. The preliminary indications are for an even larger deficit in 2011. With further declines in tax revenues expected, it is clearly evident that City government cannot continue in the same way that it always has always operated.

In these economic times we must be innovative in finding solutions to increase efficiency and save taxpayer dollars. Health care costs are a major contributor to the ongoing general fund shortfall.

From 2007 to 2009, there has been an unprecedented 38 percent increase in City healthcare costs. A major part of that has been a 300 percent increase in retiree healthcare costs since the year 2000. Also, since retirees continue on the healthcare plan that was in place at the time of their retirement, the City carries 34 different retiree healthcare plans. This has created a cumbersome and expensive claims management process.

The City of Omaha is self-insured. This means that healthcare claims are paid with Omaha taxpayer dollars. In fairness to our taxpayers, we cannot afford to wait any longer to reduce the cost of the current City healthcare system.

To not take action now will only make the problem more difficult to solve in the future. We must also recognize the invaluable contributions that retirees have made to our City government. A proactive solution that saves not only taxpayer dollars but also avoids more drastic action in the future is essential.

Therefore, I propose the following changes effective July 1st, 2010:

- All retirees will be moved to the current healthcare plan in place for their respective union. This step combines 34 plans into 3 plans.
- The retiree healthcare premium will be increased to 25% for single, 30% for single plus one and 35% for family plans.

This new premium level is still lower than eight of the eleven cities used by the CIR for Police and Fire. Four of those cities require that retirees pay 100% of their healthcare premium.

I know that this will mean an adjustment for our retirees. But these are not normal times and we cannot afford to maintain the status quo.

In these changes, I sought a fair compromise between the additional cost to our retirees and the taxpayer savings. The days of not paying a health care premium are long past.

The estimated annual savings from these changes is \$6.75 million.

This serves as just one example of how our City must find real solutions to confront extraordinary challenges.