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New York City Details Plan to Rein In Employee Health Costs.

Mayor Bill de Blasio's administration for the first time laid out its plan to save \$3.4 billion in employee health-care costs over the next four years. The strategy addresses a long-standing fiscal challenge and sheds light on how the city hopes to help offset raises negotiated over the past year with municipal unions.

The planned cost-cutting includes the city paying less than previously projected for employee health insurance, newly negotiated rates with insurers and greater incentives for preventative care.

At a City Council hearing Wednesday, lawmakers grilled Labor Commissioner Robert Linn over the savings, saying the administration had taken too long to offer details. The savings were first announced last May.

"We don't want to have to bring you into a public meeting to get details," City Council finance committee Chairwoman Julissa Ferreras told Mr. Linn.

Mr. Linn said the administration didn't want to discuss proposed savings until they had been fully negotiated with the Municipal Labor Committee, a group of unions that represents the city's 350,000 workers.

"I think it's counterproductive to the bargaining process to describe what we were talking about when we were talking about it," he said.

"Many thought that this was smoke and mirrors. I have to say we've demonstrated that that was wrong," Mr. Linn said.

The city's health-care costs doubled in the past decade, from \$2.6 billion in fiscal 2005 to \$5.3 billion in fiscal 2015, which ends on June 30, according to the Citizens Budget Commission, a nonpartisan watchdog group.

De Blasio administration officials said they were on track to secure \$400 million in savings for fiscal 2015. The plan calls for an additional \$700 million in savings in fiscal 2016, \$1 billion in fiscal 2017 and \$1.3 billion in fiscal 2018, then \$1.3 billion in savings each year after that.

Mr. de Blasio said the savings were achieved by "changing the conversation with our workforce from one of deadlock and confrontation to real problem solving and collaboration."

The city's health costs continue to rise, but de Blasio officials say they have slowed the increases with a variety of approaches.

In fiscal 2015, the city will spend \$17 million less than budgeted on costs because of a lower-than-expected health-care rate increase. That figure is projected to grow to \$403 million in fiscal 2018, the city said.

The city found \$108 million in savings this year by cutting benefits for non-eligible employees, such as the adult children of city employees who have aged out of the plan.

And it found \$153 million by reaching an agreement with the Municipal Labor Committee to lower the sum the city pays into the Health Insurance Stabilization Fund. The fund was set up to ease health-care costs for employees and is jointly controlled by City Hall and the unions.

Mr. Linn said he expected savings from many of those initiatives to be greater next year.

More than \$500 million of the projected \$1.3 billion in savings in fiscal 2018 will be found in “potential new initiatives to be decided by the city” and labor unions, according to the plan. City officials said that could include wellness programs to improve the general health of city employees and incentives to reduce emergency-room visits.

If the unions decline to work with the city to meet the goals, an arbitrator would step in, Mr. Linn said.

Maria Doulis, director of city studies at the Citizens Budget Commission, said the city is pursuing the right initiatives to bring down costs but called the amount of savings held out by the de Blasio administration “misleading.”

The city’s health-care costs are projected to increase to \$5.6 billion in fiscal 2016, \$6 billion in fiscal 2017 and \$6.4 billion in fiscal 2018, city officials said.

Ms. Doulis said many of the savings weren’t reliably recurring, such as the reduction in payments to the stabilization fund. “If the purpose is to really fundamentally change the cost structure, that’s not going to do it,” she said of the plan.

Ms. Doulis also said that while the de Blasio administration listed savings from the lower health-insurance rates it negotiated, insurers could try to make up the cost by raising the city’s rates in future years.

A spokeswoman for the mayor said the administration would find other ways to save money if insurers raise the rates.

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