

Municipal Employee Health Insurance Contributions

Employee Benefits Drive Local Government Costs

Employee benefits are one of the major drivers of local government spending increases, making up 17 percent of current costs. Health insurance represents approximately half of spending on employee benefits. Between 2000 and 2005, employee health insurance costs grew from \$2.9 billion to \$4.9 billion, an increase of nearly 70 percent.

Employee Contributions Vary Across Local Governments

The level of contributions from local government employees varies across the State. According to a recent Department of Civil Service survey¹, 53% of municipalities and 20% of school districts that responded do not require some or all of the employees in their largest employee groups to contribute towards their individual health insurance costs.

Local Governments Not Requiring Some or All Employees to Contribute

	Municipalities	School Districts
Individual	53%	20%
Family	45%	12%

Of the local government employee groups that require contributions, the typical employee share of costs is in the area of 10%. Note that these do not include local governments where employee contributions are not required.

Local Government Employee Contributions

	Municipalities	School Districts
Individual	7%	12%
Family	11%	13%

A small number of local governments reported that they are requiring new employees to contribute more to health insurance costs than current employees.

The State requires its employees to contribute 10% for employee coverage and 25% for family coverage in its most popular health insurance option. Nationally, the typical worker (private and public) with health insurance contributes 16% for employee coverage and 28% for family coverage.

Policy Option

The State should require a minimum contribution from municipal employees by law. Health benefits are a mandatory subject of negotiation under the Taylor Law, however, the state law could be amended such that there be a mandatory local government employee contribution as a percentage of the annual health insurance premium for a local government's particular plan. This could mirror the percentage that State employees contribute for their Empire Plan as a floor, with local governments free to negotiate higher employee contributions. The required contribution would become effective upon the expiration of current collective bargaining agreements with a phased "ramp up" to the higher minimum contributions, being fully implemented within five years from the effective date of the new statute. The floor contribution would cover all employees.

¹ The survey of municipalities (counties, cities, towns and villages) had a 40% response rate. The survey of school districts had a 47% response rate.

