AUDIT ADVISORY COMMITTEE

OFFICE OF THE
NASSAU COUNTY COMPTROLLER

Providing Affordable Health Benefits For County Employees and Retirees:

Some Suggested Solutions

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Prepared for the Nassau County Comptroller's Audit Advisory Committee
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I. EXECUTIVE SUMMARY

A. Introduction

Nassau County's expense for all health benefits in 2007 is projected at $252 million. Total Nassau County health care costs (including providing health benefits to the county's active employees and retirees, workers' compensation, sick time, and other associated benefits) will be approximately $298 million in 2007. Total health care costs amount to approximately 10% of the county budget and 32% of the revenue derived from property tax. By 2010, we project that total health care costs will amount to 11% of the county budget and 39% of income from property taxes. The vast majority of county employees and retirees pay no contribution. This means that virtually the full additional cost due to annual healthcare trend increases will be supported by the Nassau's budget, which of course, means paid by taxpayers.

Over the last 25 years, the county's costs for employee and retiree health benefits have grown by almost 1,000%. The cost of providing coverage to employees over those years has risen 673%, while the cost of retiree coverage has increased over 1,764%. These skyrocketing health benefit costs have exerted tremendous pressure on the county's budget. As a simple way to consider the impact of the effect of increasing health care costs on the county's budget, if the rate of increase could be cut in half for 2008, 2009, and 2010 (for example only a 4% annual increase, as opposed to 8%), the county would save a cumulative $62.7 million.

Recognizing the importance of controlling health care cost increases, the County Legislature recently approved the Suozzi administration's decision to hire a health care consultant to review health benefits and identify savings opportunities. The rising cost of retiree health benefits has prompted accounting changes to require governmental employers to recognize such costs on their balance sheets. Historically, government employers have reported the cost of heath care and other non-pension benefits on a "pay as you go" basis. Under the new Governmental Accounting Standards Board standard, GASB 45, for Other Post-Employment Benefits, state and local government employers must account for, and report, the annual cost of other post-employment benefits (OPEB) in the same way they report pensions. As a result, the annual OPEB costs for Nassau will be based on the actuarially determined total liability for retirees and employees. Nassau County will comply with GASB 45 and report its total retiree health benefit expense in its annual statement for 2007.

The Nassau County Comptroller's Office issued a white paper in 2003 on opportunities for savings in health benefits. Since then, the cost of health benefits have increased approximately 60%. This paper updates the original white paper, adding some new suggestions and calculating the savings opportunity if the described changes are adopted as of January 2008.

Two of the savings opportunities identified in the 2003 white paper are close to complete implementation by the county:

(1) The white paper recommended eliminating duplicate health benefit coverage for employees and retirees who are married to other county employees or retirees. The County Legislature

enacted this change for non-union employees and retirees for a savings of $276,000 in 2006. The PBA award released in June 2007 eliminates duplicate health coverage for police officers, for a full year calendar savings in 2008 that we project at $919,830. If duplicate health care coverage were eliminated for all county employees and retirees, Nassau could save a projected cumulative $15.7 million by 2010.

(2) The white paper recommended increasing the employment period for vesting for paid retirement health benefits from 5 years to 10 years. This change was implemented through collective bargaining for county employees who are members of the CSEA and hired after 2003. If the vesting requirement were changed to 10 years for all new county employees, the county would not achieve immediate savings but would lower the burden on taxpayers over the long term.

This paper discusses opportunities to reduce the cost of providing health care benefits to county employees and retirees while ensuring that they continue to have access to high quality, affordable health care. Many of these recommendations would be part of the collective bargaining process, and as such would need agreement from the unions that represent Nassau County employees and retirees. Over time, as with the elimination of duplicate benefits, these changes could lessen the burden of health care costs on county taxpayers while continuing to ensure that county employees and retirees and their families receive high quality health benefits.

B. Summary of Policy Options

1. Participant Contributions

Most private-sector employers, New York State, and many other municipalities and school districts on Long Island require employees to contribute toward the costs of their health insurance premiums. If Nassau County employees and retirees made the same contributions required by New York State – 10% of cost for individuals, and 25% of cost for dependents – the county would save approximately $129 million between 2008-2010. If the rate of contribution required by the county for non-union employees hired after January 1, 2002 (10% family and 5% individual) were applied to all employees and retirees, the county would save approximately $53 million over the three years. If only active employees contributed to the cost of health benefits, the savings for the period 2008–2010 would range from approximately $68 million, at the state contribution level, to $26 million, at the contribution level currently applied to county non-union employees. If only new hires contributed, the savings would range from approximately $2 million to $900,000 during the period 2008–2010. While the savings opportunity is significant, contributions would have to be negotiated in collective bargaining and would likely only be achievable as part of an overall package of salary and benefits. Nonetheless, the contribution levels proposed are generally lower than most plans in corporate America and equivalent to or lower than the contribution required by New York State.

2. Change the Benefits Plan

Currently, Nassau County offers the Empire Plan's Core Plus Enhancements Plan as its basic benefits package. However, if the county offered the Core Plan as its basic benefits package and allowed participants to pay the cost difference to enroll in the Core Plus Plan, it would realize substantial savings because the rates for Core coverage are lower than the rates for Core Plus coverage. The difference in benefits is that Core Plus offers out-of-network coverage and greater maximum benefits, including substance abuse and mental health services. Such a change would save the county about $90 million during the period 2008–2010 if it were applicable to all active and retired county workers. This change would have to be achieved through collective bargaining for most county employees.

3. Increase the Level of Reimbursement in the Buy-back Program

Currently Nassau County has a buy-back program that offers employees the option of obtaining annual reimbursement in exchange for giving up their health benefit coverage. Employees must prove that they have viable coverage elsewhere. The amount of the buy-back has not been increased from $500 (individual) and $2,000 (family) since it was instituted in 1988, at which point $2,000 was more than half of the county's annual cost of $3,877 for family coverage under the Empire Plan. Half of today's costs would lead to a buy-back of $3,500 and $7,500 for individual and family coverage respectively. The county should survey its employees to determine the optimal level of increased buy-back to achieve maximum savings. If the county raised the buy-back to half the health benefit expense and, as a result, an additional 10% of eligible employees joined the program, we estimate the county would save approximately $14 million over the 3-year period. This change would have to be achieved through collective bargaining for most county employees.

4. Establish a Wellness Program

Establishment of well-defined, enhanced, accessible wellness program could have a very favorable impact on Nassau County. The County Executive has announced his commitment to a Healthy Nassau program, including employee wellness. An expanded wellness program could include the following:

- Voluntary health assessment of employees and retirees
- Educational programs
- Participatory wellness programs
- Nutrition-related education
- Specific disease management programs
- Benefits-related changes
- Communication and advocacy initiative

Encouraging employees to live healthier lifestyles would not only improve the morale, productivity and attitude of employees, but would also reduce health care costs, sickness, absences, worker's compensation claims, and other health-related costs. It is estimated that such programs could generate more than $4 million of savings over the 3-year period.

5. Provide Retiree Lifetime Health Benefits Only After the Retiree Begins to Draw on His or Her Pension

Nassau County permits eligible employees who leave county employment to receive retiree health care coverage at age 55, whether or not the employee begins to draw down a pension at that time. It is reasonable to assume that some portion of this group could obtain health benefits from other sources. If the county changed its rules to require that employees draw on their pension before receiving retiree health benefits, the county could save $654,000 during the period 2008-2010. This change would have to be achieved through collective bargaining for most county employees.

6. Provide Retiree Lifetime Health Benefits Only After a Minimum Of 10 Years Of Employment

The county could limit the growth in the cost of retiree health insurance coverage by increasing the required minimum number of years of service from 5 to 10 years. This requirement currently applies only to new hires who are covered by the county's largest labor union, the CSEA. If this requirement were extended to the other unions and to non-union employees, and if the change were made prospectively for new hires, the county would not save money over the near term since near hires will stay on payroll beyond the period of 2008 - 2010. Over time, however, there will be savings as employees leave with more than 5 but less than 10 years service. This change would have to be achieved through collective bargaining for most county employees.

7. Completely Eliminate Duplicate Health Benefits

Since issuance of the Comptroller's 2003 white paper, the county has taken steps to eliminate the wasteful practice of offering two family health benefit packages to its employees and retirees when both spouses or partners work for the county. The Legislature unanimously eliminated these duplicate benefits for non-union ordinance employees in 2006, saving over $276,000 in the first year. The PBA award released in June 2007 eliminates duplicate health coverage for police officers, for a full year calendar savings in 2008 that we project at $919,830. If this unnecessary duplicate coverage is completely eliminated as collective bargaining agreements are negotiated, county taxpayers will save over $15.7 million during 2008-2010.

<u>Note on Methodology</u>

Membership in NYSHIP and data for all health benefit and payroll-related information is kept on a consolidated basis for Nassau County and Nassau County Community College. Therefore all cost and savings opportunities apply to the county and College together.

Approximately 98% of employees and retirees participate in the NYSHIP Empire plan for health benefits coverage. The county also offers the option of participation in HMO's. Members who select HMO's pay the difference between NYSHIP Empire plan coverage and the cost of the HMO. For purposes of this paper, all savings opportunities are analyzed based on participation in the NYSHIP Empire plan.

In developing the recommendations in this paper it has been assumed that a given recommendation is implemented as of January 1, 2008. Accordingly this paper reflects savings over a 3-year period from 2008 through 2010.

In order to calculate savings, health benefit costs were projected into the future. The national rate of growth for health care costs was 9.2% in 2005. For the purpose of estimating savings, this paper adopts the conservative assumption that health benefit costs will increase 8% annually.

II. HEALTH BENEFIT COSTS: PAST, PRESENT & FUTURE

In recent years health care costs have increased between 7% and 10% annually. Increasing health benefit costs for employees and retirees are straining Nassau County's budget and could significantly undermine the financial position of the county in the future. Between just 2002 and 2007, primary health benefit costs for medical, hospitalization, drugs and related care increased by 60%. "Primary health benefit costs" are the county's expense for participation in NYSHIP and HMO's.

Illustration 1

Nassau County Primary Health Benefit Costs (in thousands)

	1982	1987	1992	1997	2002	2007 Forecast
ACTIVE	$ 16,835	$ 32,333	$ 46,839	$ 54,640	$ 80,193	$ 130,131
RETIREES	5,977	15,211	34,461	33,634	70,821	111,411
TOTAL HEALTH BENEFIT COSTS	$ 22,812	$ 47,544	$ 81,300	$ 88,274	$ 151,014	$ 241,542

"All health benefits costs" can be defined as primary health benefit costs, dental and optical benefits for active employees, reimbursement for Medicare Part B, and the cost of buying back health benefits from employees who choose to participate in the buy-back program. Those costs must be net of reimbursement for Medicare Part D, contributions from non-union employees hired after January 2002 and payments from certain former employees and their families who pay for all or a portion of the cost of their benefits. In 2007, all health benefit costs will total over $252 million.

The cost of health care to the county is not limited to the charge for health benefits. Employees' health-related expenses also include the cost of sick leave, workers' compensation and the county's sick leave at half-pay program. These non-benefit expenses will cost a projected $47 million in calendar 2007. When non-benefit expenses are added to all health benefit costs, the resulting number is the county's "total health care cost." Illustration 2 projects Nassau County's total health care costs through 2010 at over $1 billion.

Illustration 2

PROJECTED HEALTH COSTS FOR NASSAU COUNTY
2008 TO 2010

	ACTUAL		CURRENT FORECAST	PROJECTED			CUMMULATIVE PROJECTED COSTS
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2008-2010**
ACTIVE HEALTH BENEFIT COST	$ 106,884,722	$ 120,491,107	$ 130,130,396	$ 140,540,827	$ 151,784,093	$ 163,926,821	$ 456,251,741
RETIREES HEALTH BENEFIT COST	97,870,906	103,158,521	111,411,203	120,324,099	129,950,027	140,346,029	390,620,155
PRIMARY HEALTH BENEFIT COSTS	**$ 204,755,628**	**$ 223,649,628**	**$ 241,541,598**	**$ 260,864,926**	**$ 281,734,120**	**$ 304,272,850**	**$ 846,871,896**
DENTAL	5,539,348	5,986,387	6,106,114	6,228,237	6,352,801	6,479,857	19,060,895
OPTICAL	1,203,772	1,228,940	1,253,519	1,278,590	1,304,161	1,330,245	3,912,996
RETIREES OPTICAL	320,903	344,740	351,635	358,667	365,841	373,158	1,097,666
PAYROLL CONTRIBUTIONS	(406,958)	(505,966)	(546,443)	(590,158)	(637,371)	(688,361)	(1,915,890)
ALL OTHER CONTRIBUTIONS	(4,684,014)	(4,701,051)	(5,077,135)	(5,483,305)	(5,921,970)	(6,395,727)	(17,801,003)
PART B	12,497,101	14,157,619	15,290,229	16,513,447	17,834,523	19,261,284	53,609,254
PART D	-	(7,003,830)	(7,564,136)	(8,169,267)	(8,822,809)	(9,528,633)	(26,520,709)
BUYBACK	858,245	875,152	892,655	910,508	928,718	947,293	2,786,519
ALL HEALTH BENEFIT COSTS	**$ 220,084,026**	**$ 234,031,620**	**$ 252,248,036**	**$ 271,911,644**	**$ 293,138,015**	**$ 316,051,965**	**$ 881,101,624**
SICK LEAVE	18,468,373	19,250,921	20,213,467	21,224,141	22,285,348	23,399,615	66,909,104
WORKERS COMPENSATION AND 207(C)	22,258,146	22,760,340	24,581,168	26,547,661	28,671,474	30,965,192	86,184,327
SLHP	894,790	1,076,809	1,130,650	1,187,182	1,246,542	1,308,869	3,742,593
TOTAL NASSAU HEALTH CARE COSTS	**$ 261,705,334**	**$ 277,119,691**	**$ 298,173,321**	**$ 320,870,628**	**$ 345,341,378**	**$ 371,725,641**	**$ 1,037,937,647**
TOTAL PROJECTED COUNTY BUDGET			$ 2,911,407,522	$ 3,047,625,854	$ 3,159,492,161	$ 3,269,146,624	$ 9,476,264,639
% HEALTH COSTS OF TOTAL PROJECTED COUNTY BUDGET			10.2%	10.5%	10.9%	11.4%	11.0%
TOTAL PROJECTED COUNTY PROPERTY TAX			$ 942,577,389	$ 942,577,389	$ 942,577,389	$ 942,577,389	$ 2,827,732,167
% HEALTH COSTS OF TOTAL PROJECTED COUNTY PROPERTY TAX			31.6%	34.0%	36.6%	39.4%	36.7%

The property tax figure includes taxes for the five major funds, the county-wide sewer and storm water district and the community college.

III. HEALTH CARE PROGRAMS OF OTHER GOVERNMENTS

The health insurance practices of other New York governmental entities serve as guides to the types of changes Nassau County should consider. All Nassau County school districts and most surrounding municipalities offer coverage for employee and retiree health benefits through NYSHIP, which provides coverage through contracts with health insurers. The NYSHIP/Empire Plan provides medical, surgical, and hospitalization coverage for employees and retirees (and their dependents) of the state and its subdivisions -- such as the county -- that opt to participate. The requirements imposed on governments that participate in NYSHIP are established by New York State Civil Law Article IX.

Under state law, participating NYSHIP employers are required to contribute a minimum of 50% of their employees' or retired employees' premiums, as well as a minimum of 35% of the premium costs for dependents of employees or retired employees. Nassau County currently contributes 100% of the cost for all participants in NYSHIP with two exceptions: non-union employees hired after January 1, 2002 must contribute 5% toward individual coverage and 10% toward family coverage; and, retirees who contributed to health coverage as employees -- those who retired prior to January 1, 1976 -- must contribute at the same rate as when they were employed, between 25% and 50%. Many other municipalities in New York State require some level of contribution from employees, with a trend toward requiring contributions at least from newer employees. A list of the contribution requirements for employees and retirees in surrounding municipalities and a table for school district is included in Appendix B.

The state requires participating NYSHIP employers to offer health benefit coverage to retirees who meet the required years of service established by the municipality. Nassau County offers 100% paid health care coverage to retirees and those separating from county service after age 55. If the former employee contributed to health coverage while employed, the employee must continue to contribute at the same rate in retirement. For members of the CSEA hired after August 22, 2003, employees must have worked for Nassau County for at least 10 years to become eligible for retiree coverage. All other employees must have worked for the county for at least 1 year with a minimum of 5 years in total working in government service. Some other municipalities in New York State provide health coverage only upon retirement, and many require 10 years of employment before granting eligibility for retiree health coverage. The school districts responding to our survey were split between requiring 5 and 10 years of service before eligibility for retiree health coverage, and one required 20 years. Most school districts require some contribution to the cost of health coverage from their retirees. Special requirements concerning retiree health benefits are discussed in Appendix C.

IV. POLICY OPTIONS

Participant Contributions

The county's collective bargaining agreements currently require the county to pay 100 percent of the health benefit costs for NYSHIP coverage for active employees and for all retirees after 1976. The county currently requires contributions for NYSHIP participation from non-union "ordinance" employees hired after January 1, 2002, who pay 5 percent of the cost of individual coverage and 10 percent of the cost of family coverage.

The vast majority of healthcare programs throughout the United States (both public and private) require contributions, which dampen the effect of trend increases, as well as influence the consumer to take a more active role in health care consumption. Although Nassau County cannot make unilateral changes to the amount it will contribute towards its unionized employees' health benefit premiums, the county and the labor unions can negotiate changes in these contributions as they negotiate new contracts.

We analyzed the potential savings if the county had adopted a contribution requirement in the past. It should be noted that the county is unlikely to achieve the projected savings in the first years of requiring contributions since in the collective bargaining process trade-offs will likely be made that dampen the initial savings to the county.

We reviewed the savings opportunity if the county adopted (1) the New York State model (10 percent of individual coverage and 25 percent of dependents' coverage); (2) an across-the-board 10 percent contribution; or (3) 10% for family coverage and 5% for individual, the contribution level currently required of non-union employees hired after January 1, 2002. Since the contributions would be taken from employees' pre-tax earnings, the county would realize additional savings in an amount equal to the FICA payments on the contributions (which are not included in the total savings figures).

If all active and retired employees contributed to the cost of health benefits, for the 3-year period 2008–2010, the approximate county savings range from $53 million to $129 million.

If only active employees contributed to the cost of health benefits, the approximate 3-year county savings range from $26 million to $68 million.

If only newly hired employees contributed to the cost of health benefits, the approximate 3-year county savings range from $894,000 to $2.2 million. Over time, as the portion of the workforce who contribute to the cost of health benefits increases and those employees eventually retire, the savings to the county would increase significantly.

Illustration 3

PROPOSED PARTICIPANT CONTRIBUTIONS
ACTIVES AND RETIREES

	PROJECTED			CUMMULATIVE PROJECTED SAVINGS
	2008	2009	2010	2008-2010
PRIMARY HEALTH BENEFIT COST	$260,864,926.00	$281,734,120.00	$304,272,850.00	
PROJECTED SAVINGS IF*:*				
25% CONTRIBUTION REQUIRED FOR FAMILY AND 10% FOR INDIVIDUAL	$40,252,525.60	$42,835,356.60	$45,573,824.39	$128,661,706.58
10% CONTRIBUTION REQUIRED FOR ALL	$25,025,200.11	$27,027,216.12	$29,189,393.41	$81,241,809.64
10% CONTRIBUTION REQUIRED FOR FAMILY AND 5% FOR INDIVIDUAL	$16,899,857.11	$17,614,474.62	$18,335,271.86	$52,849,603.59

Illustration 3.1

PROPOSED PARTICIPANT CONTRIBUTIONS
ACTIVE EMPLOYEES

	PROJECTED			CUMMULATIVE PROJECTED SAVINGS
	2008	2009	2010	2008-2010
PRIMARY HEALTH BENEFIT COST	$ 140,540,827	$ 151,784,093	$ 163,926,821	
PROJECTED SAVINGS IF:				
25% CONTRIBUTION REQUIRED FOR FAMILY AND 10% FOR INDIVIDUAL	$ 21,552,162	$ 22,638,964	$ 23,761,720	$ 67,952,846
10% CONTRIBUTION REQUIRED FOR ALL	$ 13,463,924	$ 14,541,038	$ 15,704,321	$ 43,709,284
10% CONTRIBUTION REQUIRED FOR FAMILY AND 5% FOR INDIVIDUAL	$ 8,739,523	$ 8,801,314	$ 8,817,058	$ 26,357,896

Illustration 3.2

PROPOSED PARTICIPANT CONTRIBUTIONS
NEW EMPLOYEES ONLY

	PROJECTED			CUMMULATIVE PROJECTED SAVINGS
	2008	2009	2010	2008-2010
PRIMARY HEALTH BENEFIT COST	$ 4,328,975	$ 4,675,293	$ 5,049,316	
PROJECTED SAVINGS IF:				
25% CONTRIBUTION REQUIRED FOR FAMILY AND 10% FOR INDIVIDUAL	$ 677,364	$ 745,775	$ 821,082	$ 2,244,221
10% CONTRIBUTION REQUIRED FOR ALL	$ 399,158	$ 431,091	$ 465,578	$ 1,295,827
10% CONTRIBUTION REQUIRED FOR FAMILY AND 5% FOR INDIVIDUAL	$ 275,445	$ 297,480	$ 321,279	$ 894,204

Note: New hiring is assumed within each union at the average of new hiring over the period 1997-2007

Change the Benefits Plan

As an alternative to requiring a contribution, Nassau County could consider negotiating the right to offer employees and retirees the Empire Plan's Core coverage as basic coverage, and allow its employees and retirees the option of paying a premium to enroll in the Core Plus program. The difference in benefits between Core coverage and Core Plus is that Core Plus offers out-of-network coverage and greater maximum benefits, including for substance abuse and mental health services. New York City has adopted a similar option; it offers its employees basic health plan coverage at no charge, and its employees pay a premium for enhanced health insurance coverage.

Because the rates for Core coverage are lower than the rates for Core Plus, the county would realize substantial savings. As Illustration 4 depicts, the savings to Nassau County if this initiative were adopted and applied to all employees and retirees would be about $90 million over the period 2008–2010. NYSHIP has recently announced that it is redesigning the benefits and cost of its Core Plan. Since the revised offering has not yet been released, this analysis assumes the continuation of the existing Core and Core-Plus plans.

Illustration 4

PROJECTED SAVING FROM SWITCHING FROM CORE PLUS TO CORE COVERAGE ACTIVES AND RETIREES

	2008	2009	2010	CUMMULATIVE PROJECTED SAVINGS 2008 - 2010
CORE PLUS COVERAGE	$ 246,166,403	$ 265,859,716	$ 287,128,493	
CORE COVERAGE	$ 218,356,134	$ 235,824,624	$ 254,690,594	
PROJECTED SAVINGS	$ 27,810,270	$ 30,035,091	$ 32,437,899	$ 90,283,259

Illustration 4.1

PROJECTED SAVING FROM SWITCHING FROM CORE PLUS TO CORE COVERAGE ACTIVE EMPLOYEES

	2008	2009	2010	CUMMULATIVE PROJECTED SAVINGS 2008 - 2010
CORE PLUS COVERAGE	$ 138,632,096	$ 149,722,664	$ 161,700,477	
CORE COVERAGE	$ 120,537,965	$ 130,181,002	$ 140,595,482	
PROJECTED SAVINGS	$ 18,094,131	$ 19,541,662	$ 21,104,995	$ 58,740,788

Increase the Level of Reimbursement in the Buy-back Program

The buy-back program was implemented in 1988 as a way to encourage employees not to take Nassau County coverage if they were already covered by another plan. When it was established, the buy-back amount for family benefits was over 50% of the total cost to the county of $3,877 and the buy-back amount for individual benefits was over 25% of the cost to the county of $1,698. These levels seem reasonable to incentivize employees, while allowing county savings. While there is no documented historical analysis of the number of employees utilizing this benefit the program seems to be a success. For 2007, about 400 members used this option, saving the county about $5 million.

From almost all vantage points, the selection of the buy-back program by a county employee is favorable:

- The employee/family still has healthcare coverage through another source that must be documented;
- The employee/family is "losing" virtually nothing in actual coverage; and
- The county's cost is reduced.

However, what was once considered a reasonable incentive is no longer that. The buy-back amount has not increased since 1988 from the originally established $500 and $2,000 figures. Health care costs have almost quadrupled since the buy-back was initially offered. Annual cost for 2007 will be $6,778 for individual coverage and $14,377 for family coverage. Using rounded numbers based on our projection that health care costs will increase at an 8% annual rate, the cost to the county of providing health benefits in 2008 will be $7,000 for individuals and $15,000 for families.

If the buy-back ratio were increased to 50% of the cost to the county in 2008, the new buy-back amount would be:

- Individual $3,500

- Family $7,500

If the buy-back ratio were increased to 25% of the cost to the county, the new buy-back amount would be:

- Individual $1,750

- Family $3,750

In selecting the ideal price for the buy-back, the county's goal would be to reduce its costs by attracting more participation in the program. The county would have to determine the ideal relationship between the cost of health benefits and the buy-back amount, perhaps based on a survey of likely new participants in the program. The county would also have to consider the impact of the compete elimination of duplicate health benefits, which will automatically drive increased participation in the buy-back program. If the buy-back were increased to 50% of the health benefit cost, we project the county would have to attract at least an additional 294 participants to realize additional savings. If the buy-back were increased to 25% of the health benefit cost, the county would have to attract at least 62 new participants to realize additional savings. The calculation of break-even points would have to change if the county were to increase the buy-back amount every three years to account for healthcare inflation.

We have estimated the potential savings of the buy-back assuming an increase in participation ranging from an additional 1% of employees to an additional 10% of employees. Assuming a 10% increase in participation in a $7,500 buy-back, the county would save approximately $15 million during 2008–2010. Assuming a 5% increase in participation in a $3,750 buy-back, the county would save approximately $14 million during 2008–2010. The buy-back program is offered only to employees, with very limited exceptions.[1] We have assumed that the program would not be further extended to retirees.

[1] In 2006, the Legislature extended the buy-back to those retirees who were affected by the elimination of duplicate health benefit coverage where married employees were both employed by or retired from the county. Ordinance No. 82-2006.

Illustration 5

ESTIMATED SAVINGS IF BUYBACK IS INCREASED TO 50% OF COST
AND MORE COVERED FAMILIES OPT TO PARTICPATE

	CURRENT	PROJECTED ADDITONAL PARTICIPATION 2008				**CUMMULATIVE PROJECTED SAVINGS 2008-2010**			
	PLAN	1%	2%	5%	10%	1%	2%	5%	10%
PROJECTED NUMBER OF BUYBACKS	400	487	662	836	1,273				
BUYBACK AMOUNT	$ 2,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500				
PROJECTED SAVINGS FOR BUYBACK AT CURRENT PLAN - NO ADDITIONAL PARTICIPATION	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000				
NET ADDITIONAL SAVINGS FROM CHANGE IN CURRENT PLAN		$ (1,671,300)	$ (253,800)	$ 1,155,600	$ 4,695,300	**$ (5,425,708)**	**$ (823,936)**	**$ 3,751,540**	**$ 15,242,822**

Illustration 5.1

ESTIMATED SAVINGS IF BUYBACK IS INCREASED TO 25% OF COST
AND MORE COVERED FAMILIES OPT TO PARTICPATE

	CURRENT	PROJECTED ADDITONAL PARTICIPATION 2008				**CUMMULATIVE PROJECTED SAVINGS 2008-2010**			
	PLAN	1%	2%	5%	10%	1%	2%	5%	10%
PROJECTED NUMBER OF BUYBACKS	400	487	662	836	1,273				
BUYBACK AMOUNT	$ 2,000	$ 3,750	$ 3,750	$ 3,750	$ 3,750				
PROJECTED SAVINGS FOR BUYBACK AT CURRENT PLAN - NO ADDITIONAL PARTICIPATION	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000				
NET ADDITIONAL SAVINGS FROM CHANGE IN CURRENT PLAN		$ 301,050	$ 2,427,300	$ 4,541,400	$ 9,850,950	**$ 977,329**	**$ 7,879,987**	**$ 14,743,201**	**$ 31,980,124**

Implement a Wellness Program

Nassau County, in partnership with NYSHIP, currently has a number of components of a wellness program including:

- Website Information
- Nurse Hot Line
- Periodic Wellness Bulletins
- Injury Prevention Program

County Executive Suozzi has announced the Healthy Nassau initiative, which includes a commitment to wellness programs for county residents and employees. Enhancements to the wellness program would be advantageous for the county, its employees and their families. A healthier workforce would produce savings that would “drop to the bottom line.” Such savings would emanate from:

Reduction in worker’s compensation costs – which are self-insured
Reduction in 207c costs – which are self-funded
Lower absence and sickness rates
Lower costs of the extended leave benefits, which are also self-funded, and
Lower trends of NYSHIP health care premiums. (Nassau County represents 2% of total NYSHIP participation, and any favorable cost development, while small, will flow to all participants.)

A Wellness Program enhancement could include some combination of the following seven programs:

Assessment and follow up activities

Health Risk Assessment Questionnaire
Health Risk Screenings (onsite/offsite)
Follow-up (confidential and anonymous)
Safety Assessment and follow-up
Stress Assessment and follow up

Educational

Life/Work Balance Program
Injury-Related Material
Health Periodicals/Website
Lectures and related communications

Participatory Wellness Programs

Onsite exercise program/offsite advocacy
Onsite yoga, tai chi, meditation/offsite advocacy
Walking, exercise and other lunch, dinner activities

Nutrition-Related

Classes in nutrition, cooking, shopping
Onsite nutritional counselor
Advocacy of offsite programs, e.g. discounts for healthy eating
Evaluation and potential changes in vending and other food offerings

Benefits-Related

Incentives to seek nutrition counseling
Incentives to seek "complementary care" providers, such as acupuncture, chiropractic, and accupressure modalities.

Disease Management

Work with NYSHIP to continue, or develop, specialized disease management program, e.g. Dean Ornish Cardiovascular Program
Weight (Obesity) Program
Stress Management Programs
Smoking Cessation
Mental Health and Substance Abuse Programs

Communication by County Leadership: Top Management Must Set an Example

This final step imposes no additional cost to the county, but is important to ensure that employees take the wellness program seriously. When the county's leadership demonstrates a commitment to wellness in their own lives, county employees are more likely to follow the example set at the top and make their own commitment to improving their health.

Any estimate of the potential savings from such programs is necessarily dependent on the nature, quality and effectiveness of the programs ultimately put into place, but published reports show savings-to-cost ratios of three dollars to one for spending on wellness programs.[2] Assuming a three-to-one ratio, after recognizing administrative costs for the new program, a wellness initiative costing $500,000 should generate savings of about $1.2 million annually and $4 million from 2008 – 2010.

[2] University of Michigan Health Management Research Center, *Cost Benefit Analysis and Report 1979 – 2001* umich.edu/~hmrc/CB2000.html

ILLUSTRATION 6

POTENTIAL SAVINGS IF HEALTH AND WELLNESS PROGRAM IS ESTABLISHED

	PROJECTED COSTS			CUMMULATIVE PROJECTED SAVINGS
	2008	**2009**	**2010**	**2008-2010**
SICK LEAVE	$ 21,224,141	$ 22,285,348	$ 23,399,615	
WORKERS COMPENSATION AND 207(C)	26,547,661	28,671,474	30,965,192	
SLHP	1,187,182	1,246,542	1,308,869	
FAMILY LEAVE	176,383	179,911	183,509	
TOTAL	$ 49,135,367	$ 52,383,274	$ 55,857,184	
SAVINGS IF VALUE OF LOST TIME IS DECREASED	1,500,000	1,575,000	1,653,750	4,728,750
PROJECTED SAVINGS FOR DECREASED INSURANCE PREMIUMS DUE TO DECREASED MEDICAL EXPENSE	260,865	281,734	304,273	846,872
PROJECTED COST OF HEALTH AND WELLNESS PROGRAM	(500,000)	(500,000)	(500,000)	(1,500,000)
PROJECTED SAVINGS	$ 1,260,865	$ 1,356,734	$ 1,458,023	**$ 4,075,622**

Change the Retiree Eligibility Requirements

A. Postpone eligibility for employees who are not drawing on pension benefits.

The county should consider linking the receipt of retirement health benefits to receipt of a pension, similar to the policy of other local governments such as the Town of Babylon, City of Glen Cove and City of New York. While this change would not generate large cost savings for the county, it would help rationalize the health benefits program and bring it into line with the programs offered by other governments and by private employers.

If recent trends continue in Nassau County, approximately 30 non-police employees[3] between the ages of 55 and 62 will retire annually. Many of these retirees will be entitled to receive only a reduced pension prior to reaching age 62. In 2005, five former employees between the age of 55 and 62, and in 2006, eight former employees between ages 55 and 62, drew county health insurance without starting to draw down their pension. Those who choose not to draw reduced pensions presumably will have found other employment, where health benefits may be offered. If the county were not obligated to cover the cost of health benefits for employees who are not yet drawing on their pensions, and assuming seven former employees a year fall into that category, the savings would be $654,000 over the 3-year period. We do not anticipate that the number would increase over time, since as retirees age they will draw their pensions and, with the rule change, those former employees who do not have other health insurance options will either stay on the county payroll or draw their pension earlier than they had otherwise planned.

Illustration 7

POSTPONING ELIGIBILITY FOR RETIREES UNTIL PENSION DRAW 2008-2010

	2008	2009	2010	Cumulative Projected Savings
1 RETIREE @ INDIVIDUAL RATE	$ 7,320	$ 14,641	$ 21,961	$ 43,922
6 RETIREES @ FAMILY RATE	100,615	201,230	301,846	603,691
TOTAL	$ 109,944	$ 217,880	$ 325,817	$ 653,640

[3] Retired police officers are excluded from these calculations because there is no penalty for drawing on police pension benefits prior to age 62.

B. Increase the number of years required for retiree health benefit eligibility

New York State and many municipalities within the state require employees to have at least 10 years of public service before being eligible to retire with fully paid health benefits. For all employees except CSEA members, Nassau County requires only five years of public service. In August 2003, Nassau County increased its service requirements for new employees represented by the CSEA from 5 years to 10 years.

As of January 1, 2006, Nassau County provided health benefits to 320 people who retired with less than ten years of employment with the county at a cost of approximately $2.9 million. State law and regulations permit a municipal employer to offer lifetime health insurance coverage after a minimum of five years of service; however, a municipality may increase the service requirement.[4] Many area municipalities and school districts have increased the minimum service requirement, at least for new employees, to 10 years. See Appendix B.

If the county were to extend a 10-year service requirement across the board to new hires, there would be no immediate savings since new employees will not retire before 2010. Over time, the savings would likely be small since almost all unionized employees remain with the county for at least 10 years. Non-union ordinance employees tend to stay with the county for shorter time periods and are subject to losing their positions with changes in administration. Under present law, ordinance employees vest retiree health benefits after five years governmental service, only one of which must be with the county. Our prior report assumed a change in law to require ordinance employees to have 10 years total government service, with at least 3 years of direct county employment, to become eligible for retiree benefits. We have assumed that the Legislature will consider a change in law for new ordinance employees that imposes a similar requirement.

While the savings for taxpayers would not be immediate, savings will materialize over time as employees leave the county after five years but before ten years of employment. Since the obligation for retiree health benefits extends over an individual's lifetime, the taxpayers will benefit if even a small number of people will no longer become entitled to retiree health benefits.

Eliminate Duplicate Health Benefits for All Employees and Retirees

The Comptroller's 2003 white paper highlighted the wasteful practice of offering two family benefit packages to county employees or retirees who are married to another covered county employee or retiree. The County Legislature unanimously eliminated this practice for non-union ordinance employees and retirees in 2006, for a savings of approximately $276,000 in that year. The PBA award released in June 2007 eliminates duplicate health coverage for police officers, for a full year calendar savings in 2008 that we project at $919,830. The county must continue to negotiate with its unions to end duplicate benefit coverage for all employees and retirees. Under the 2006 law, originally proposed by the Comptroller, existing employees and retirees may choose which spouse keeps the family benefit. The other spouse is given the $2,000 buy-back, and the county guarantees that if the employee incurs expenses greater than $2,000 that would otherwise

[4] New York State Department of Civil Service, New York State Government Employees' Health Insurance Program: Manual for Participating Subdivisions, § 245(1)(a)(1) (April 1, 1991).

have been covered, the county will reimburse the difference. Including the expense of paying the buy-back to the spouse who gives up the duplicate coverage, if duplicate health care coverage were eliminated for all county employees and retirees as collective bargaining agreements are renegotiated, the county could save a projected additional $15.7 million by 2010.

Illustration 8

ELIMINATION OF DUPLICATE HEALTH BENEFITS

	2008	2009	2010	Cumulative Projected Savings
PROJECTED SAVINGS IF DUPLICATE HEALTH BENEFIT COVERAGE IS ELIMINATED	$ 4,854,354	$ 5,235,721	$ 5,647,556	$ 15,737,631

Illustration 9

SUMMARY OF POTENTIAL RECOMMENDATIONS FOR HEALTH EXPENSE SAVINGS 2008-2010

	SAVINGS			
RECOMMENDATION	2008	2009	2010	CUMULATIVE
EMPLOYEE CONTRIBUTIONS				
ACTIVE AND RETIREES				
- 25% FAMILY / 10% INDIVIDUAL	$ 40,252,526	$ 42,835,357	$ 45,573,824	$ 128,661,707
- 10% ALL PARTICIPANTS	$ 25,025,200	$ 27,027,216	$ 29,189,393	$ 81,241,810
- 10% FAMILY / 5% INDIVIDUAL	$ 16,899,857	$ 17,614,475	$ 18,335,272	$ 52,849,604
EMPLOYEE CONTRIBUTIONS				
ACTIVE EMPLOYEES				
- 25% FAMILY / 10% INDIVIDUAL	$ 21,552,162	$ 22,638,964	$ 23,761,720	$ 67,952,846
- 10% ALL PARTICIPANTS	$ 13,463,924	$ 14,541,038	$ 15,704,321	$ 43,709,284
- 10% FAMILY / 5% INDIVIDUAL	$ 8,739,523	$ 8,801,314	$ 8,817,058	$ 26,357,896
EMPLOYEE CONTRIBUTIONS				
NEW EMPLOYEES				
- 25% FAMILY / 10% INDIVIDUAL	$ 677,364	$ 745,775	$ 821,082	$ 2,244,221
- 10% ALL PARTICIPANTS	$ 399,158	$ 431,091	$ 465,578	$ 1,295,827
- 10% FAMILY / 5% INDIVIDUAL	$ 275,445	$ 297,480	$ 321,279	$ 894,204
CHANGE FROM CORE PLUS TO CORE ONLY				
ACTIVES AND RETIREES	$ 27,810,270	$ 30,035,091	$ 32,437,899	$ 90,283,259
ACTIVE EMPLOYEES	$ 18,094,131	$ 19,541,662	$ 21,104,995	$ 58,740,788
INCREASE BUYBACK TO 50% OF ANNUAL PREMIUM WITH ADDITIONAL PARTICIPATION IN PROGRAM				
- 10% PARTICIPATION IN	$ 4,695,300	$ 5,070,924	$ 5,476,598	$ 15,242,822
INCREASE BUYBACK TO 25% OF ANNUAL PREMIUM WITH ADDITIONAL PARTICIPATION IN PROGRAM				
- 5% PARTICIPATION IN	$ 4,541,400	$ 4,904,712	$ 5,297,089	$ 14,743,201
INSTITUTE HEALTH AND WELLNESS PROGRAM	$ 1,260,865	$ 1,356,734	$ 1,458,023	$ 4,075,622
POSTPONE ELIGIBILITY FOR RETIREES UNTIL PENSION DRAW	$ 109,944	$ 217,880	$ 325,817	$ 653,640
ELIMINATE DUPLICATE HEALTH BENEFIT COVERAGE	$ 4,854,354	$ 5,235,721	$ 5,647,556	$ 15,737,631

APPENDIX A – NASSAU COUNTY DATA

NASSAU COUNTY TOTAL ENROLLMENT
JUNE 2006

	Individual	Family	Individual Medicare Prime	Family One Medicare Prime	Family Two Medicare Prime
Active Employees	2,816	7,600	3	-	1
Retired Employees	786	2,128	4,172	1,283	3,638
Total Enrollment	3,602	9728	4,175	1,283	3,639

NASSAU COUNTY
NYSHIP EMPIRE RATES 2005-2009

	Individual	Family	Ind. Med Prime	Fam One Med Prime	Fam Two Med Prime
2005	$5,742	$12,164			
2006	$6,357	$13,514			
2007	$6,778	$14,376	3998	11,597	8,818
2008 *	$7,311	$15,492	4318	12,525	9,523
2009 *	$7,896	$16,732	4664	13,527	10,285
2010 *	$8,528	$18,071	5036	14,609	11,108

* Projected Rate

Other Jurisdictions' Employee and Retiree Health Benefits

City of Glen Cove

The City of Glen Cove has 175 active employees and 165 retirees enrolled in health insurance plans. Glen Cove offers the Core Plus Enhancements coverage only and does not require contributions from employees or retirees. The minimum service requirement is five years, and the last five years of service prior to retirement must be with the City of Glen Cove. Retirees may only receive free health benefits at 55 if they are also receiving pension benefits. Retirees who opt not to receive their pension benefits immediately upon leaving Glen Cove's employ but who fulfill the other requirements can keep the vested relationship by paying a vestee percentage of their health insurance premiums until they draw on their pension. In order to receive free full health benefits at that time, there can be no breaks in their NYSHIP participation.

Town of Hempstead

The Town of Hempstead has 2,100 active employees and 1,335 retirees enrolled in NYSHIP. Hempstead offers the Core Plus and psychiatric enhancement. It requires employees hired after January 1, 2005 to contribute 15% in their first two years, then 10% in the following three years before being totally covered. Employees hired prior to January 1, 2005 do not contribute. Retirees receive their health benefits as soon as they retire. The eligibility requirements are: 55 years of age and a minimum of 10 years of service with a participating agency, the last five of which must have been with the Town of Hempstead.

New York City

New York City does not participate in NYSHIP. There is no cost for basic coverage under some of the health plans offered under the City Health Benefits Program, but others require a payroll or pension deduction. Enrollees may purchase additional benefits through Optional Riders for all plans except one. Employees may receive health benefits at retirement if: they have at least five years of credited service (10 years for new employees) as a member of a retirement or pension system maintained by the city (this requirement does not apply if they retire because of accidental disability), have been employed by the city immediately prior to retirement, and are receiving a pension check from a retirement system maintained by the city.

New York State

The New York State Health Insurance Plan (NYSHIP) was initially created for employees of New York State. The state currently offers the Empire Plan and several HMOs to state employees, while extending similar options to NYSHIP participating agencies as well. Two variations of the Plan are offered to participating agencies: Core Only and Core Plus Enhancements. State employees are required to contribute 10 percent of their premium costs, and 25 percent for their dependents' premium costs. Retirees may receive health benefits provided that they are vested in a retirement system administered by New York State, meet the system's retirement age requirements, are enrolled in NYSHIP at the time of retirement, and have 10 years of benefits-eligible service with the state or 10 years of combined benefits-eligible service with the state and one or more participating agencies.

If an individual leaves the state's employ before reaching retirement age but has vested in a state-administered retirement system and has satisfied the 10-year service requirement, then s/he may continue in NYSHIP, paying the full monthly premium until retirement age, at which time the state pays the cost.

Town of North Hempstead

The Town of North Hempstead has approximately 350 active employees and 400 retirees enrolled in health insurance plans. Employees hired after 1995 must contribute nine percent of their premium costs. North Hempstead offers Core Plus Enhancements coverage. The age requirement for North Hempstead retirees is based on their tier; individuals in Tiers 1 and 2 may receive retirement health benefits at age 55, while those in Tiers 3 and 4 may receive retirement benefits at age 62. The service requirement is 10 years, and 10 of the employee's last years must be with North Hempstead (except in the case of retirees age 70 and over, who must only serve for five years, the last five of which were with the town). An employee who meets the 10-year requirement and leaves the town's employ within five years of retirement age must pay 100 percent of the health insurance premium until retirement health benefits begin at retirement age.

Town of Oyster Bay

The Town of Oyster Bay has 1,148 active employees and 652 retirees enrolled in NYSHIP. Oyster Bay does not require contributions from its employees or retirees and offers the Core-Plus Enhancements coverage. Retirees receive full health benefits as soon as they retire. Although the eligibility requirements differ according to an employee's retirement tier, the minimums are 55 years of age and five years of service. Employees need not meet any minimum length of employment with the town prior to retirement.

Rockland County

Rockland County has 3,300 active employees and 1,700 retirees enrolled in its health plan. Like Nassau, Rockland only offers Core Plus coverage. Employees and retirees may be required to contribute to their coverage based on the date on which they began their employment. Contribution levels are completely varied based on union affiliation, seniority, and employment start date . Newer employees are required to make a greater contribution. The general trend in Rockland is to require more contributions from employees.

The retirement eligibility requirements for Rockland County, in addition to the contribution where applicable, are: a minimum age of 55; and a minimum of five years of service with an agency that participates in the New York State retirement system, at least three of which must be with Rockland County; the last three months prior to the employee's retirement must also be with Rockland County. Retirees who satisfy all of the contribution and eligibility requirements receive their health benefits immediately.

Suffolk County

Suffolk County self-insures its employees' health care coverage. There were a total of 20,000 combined active and retiree enrollees in the health care plan. Enrollees may choose from three HMOs or a self-insured comprehensive plan. The self-insured comprehensive plan has proven the most popular since it offers the most coverage and the freedom to choose physicians. Neither employees nor retirees are required to contribute to their coverage.

To receive full health benefits upon retirement, Suffolk's employees must be at least 55 and have a minimum of 10-credited years of service with an appropriate agency in the New York State retirement system, the last of which must be with Suffolk County. Employees who retire before the age of 55 may receive the full health benefit as long as they pay the premium from the time they leave the county service until age 55.

Westchester County

Like Suffolk County, Westchester County is self-insured. As a result of provisions in collective bargaining agreements, the county offers three HMOs, as well as a comprehensive health benefit plan that offers a prescription drug benefit and a PPO network. Approximately 5,400 employees and 2,750 retirees are enrolled in coverage offered by Westchester. Active employees and those who work over 20 years do not contribute to their coverage or family plan. Retirees of the CSEA who have 10-19 years of experience pay $113.84/month for individual coverage and $523.65/month for family coverage. CSEA retirees with 5-10 years of service contribute $227.67/month for individual coverage and $842.38/month for family coverage.

To receive health benefits, Westchester retirees must be New York State pension-eligible (generally 55 years of age) and have a minimum of five years of service with Westchester County. If an employee has five years with Westchester but elects to leave the county's employ before retirement age, s/he must maintain the coverage without any breaks by paying the full monthly premium until retirement age. Once all of these requirements are satisfied, the retiree is eligible for full retiree coverage.

Nassau County School Districts' Health Benefit Coverage

In November 2, 2006, Comptroller Weitzman issued the Nassau County School District Benefit Survey. The report showed that all Nassau County school districts offered Empire Plan coverage to their employees with various other HMO options. All districts but six of those responding to the survey appeared to offer Core Plus coverage. The other districts offered either a choice between Core and Core Plus or the Core plan. Most districts required some contribution to health care coverage, with the average employee contribution 15%. Contribution requirements differed based on union representation and date of first employment. The full report can be found at: nassaucountyny.gov/agencies/Comptroller/Docs/PDF/School_Districts_Health_Benefits_Survey.pdf

	Selected Retiree Health Benefits Information			
			Individual Coverage	Family Coverage
School District	**Age/Yrs of service to be fully vested**	**Age retiree can begin receiving benefits**	**Paid by Retiree**	**Paid by Retiree**
Baldwin	5 years	55	50%	Family $7,831
Bellmore-Merrick CHS	Age 55/5 yrs	55	Teachers & Administrators who retired after 9/1/03 contribute 12%	Teachers & Administrators who retired after 9/1/03 contribute 12%
Bethpage	55/10 yrs except certain administrators: 55/5 yrs	55	50%	50% of Ind. Premium + 65% diff btwn family & indiv. - VIP Family 50%
Carle Place	5 years	55	50%	65%
East Rockaway	5 years	at retirement	50%	65%
Elmont	55/5 yrs	55	25%	50%
Farmingdale	Teachers 55/20 yrs if hired after 10/3/96	55 or first eligibility	Teachers- hired after 10/3/96 20%	Teachers hired after 10/3/96 20%
Floral Park-Bellerose (Elementary School District)	10 years	Not Provided	15-25%	0%/50% (individual/family)
Franklin Square	Age 55/5 yrs	55	Retiree contributes 50%	
Freeport	Age 55/5 yrs	55	50%	50/35%
Garden City	Age 55/10 yrs	55	10%	25%
Glen Cove	Age 55/10 yrs	Age 55/10 yrs	Retirees contribute 0% to 20%	

	Selected Retiree Health Benefits Information			
			Individual Annual Cost	Family Plan Annual Cost
School District	**Age/Yrs of service to be fully vested**	**Age retiree can begin receiving benefits**	**Paid by Retiree**	**Paid by Retiree**
Hewlett-Woodmere	Age 62/5 yrs	Tier 1-55 Tiers 2,3,4 - 62	50%	50% + 35%
Jericho	NYSHIP rules	At retirement	50%	50%
Lawrence	Age 55/10 yrs	55	50%	65%
Locust Valley	10 years	55	0%	35% to 100%
Long Beach	Age 55/10 yrs	At retirement	0%, 5%, 7.5%	0%, 5%, 7.5%
Lynbrook	Age 55/10 yrs	Age 55/10 yrs	50/35 65+ (custodians no cost)	50/35 65+ (custodians no cost)
Malverne	Age 55/5 yrs	55	50%	50/65%
Manhasset	10 yrs	Immediately after retirement	Teachers retiring in 2006 16%	Teachers retiring in 2006 16%
Massapequa	5 yrs service & 5 yrs prior retirement	55	0%	50%
Merrick	Age 55/5 yrs	at retirement	50%	50% Individual/65% difference in cost to cover family
Nassau BOCES	Hired before 8/1/04 - Age 55/5 yrs Hired after - Age 55/10 yrs	55	10%	10%

School District	Age/Yrs of service to be fully vested	Age retiree can begin receiving benefits	Selected Retiree Health Benefits Information Individual Annual Cost Paid by Retiree	Family Plan Annual Cost Paid by Retiree
New Hyde Park-Garden City Park	5 years/10 years	55	Retiree contributions vary 5%, 50% or 65% of premium	
North Shore	10 years	At retirement	Teachers who retired after July 2001 pay 15%.	
Oceanside	5 years	at retirement	Retirees contribute on a 50/35 split.	
Oyster Bay-East Norwich	Age 55/10 yrs	55	Teachers and Administrators hired after 1/1/89, 10% for individual and 12.5% for family	
Plainedge	not specified	immediately	50%	50/65% (individual/family)
Plainview-Old Bethpage	5 years	55	Retiree contribution = 50% individual, 65% family	
Roslyn	Age 55/10 yrs	After age 55 & with min 10 yrs service	Flat dollar amt that varies according to percent and premium at time of retirement	Flat dollar amt that varies according to percent and premium at time of retirement
Seaford	Teachers 55/30 yrrs	Teachers 55	Teachers - 13.5% after 7/1/06	

	Selected Retiree Health Benefits Information			
	Age/Yrs of service to be fully vested	**Age retiree can begin receiving benefits**	Individual Annual Cost	Family Plan Annual Cost
School District			**Paid by Retiree**	**Paid by Retiree**
Uniondale	5 years employment/age 55 retirement	55	Retiree contributes 50% for individual coverage and 58% for family	
Valley Stream #24	5 years	When retire	50%	65%
Wantagh	Age 55/5 yrs	55	Teachers and clericals 10%	Teachers and clericals 15%
West Hempstead	Age 55/5 yrs	55	10%	10%
Westbury	min: Age 55/5 yrs (if employee works 20 yrs, 0% contribution)	55	0%, 20%, or 50%	0% or 65%

APPENDIX C – RETIREE BENEFITS

Historically, government employers have reported the cost of heath care and other non-pension benefits on a "pay-as-you-go" basis. The annual cash paid for benefits has been the annual expense. Under the new GASB-45 standards, state and local government employers must account for and report the annual cost of Other Post Employment Benefits (OPEB) in the same way they report pensions. As a result, the annual OPEB costs for most employers will be based on the actuarially determined total liability for retirees and employees. Nassau County will comply with GASB-45 and report its total retiree health benefit expense in its annual statement for 2007.

State law requires the county to pay a minimum of 50% of the costs of its retirees' health insurance premiums.[5] Although the New York State Constitution provides that the benefits of a pension or retirement system may not be diminished,[6] health benefits are not considered a pension or retirement benefit, and premium contributions may be adjusted within the legal limit.[7] Changes in retiree health benefits may need to be the subject of collective bargaining, depending on the retiree's union status when employed. As of June 2006, the number of retirees for whom Nassau County is providing lifetime health coverage was 12,007, exceeding the number of employees on the county's payroll (10,494). It is expected that the disparity will grow in coming years. Because of the contribution from Medicare, retirees currently account for less than half of the county's $241 million annual bill for health coverage.

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[5] N.Y. Civ. Serv. Law § 167 (2) (McKinney 2005).

[6] N.Y. Const., art. V. § 7 (2005)

[7] Lippman v. Bd. Of Ed., 66 N.Y. 2d 313, 318-19 (1985) (holding that health benefits are not benefits of a retirement system, and that the statutory minimum to be paid by an employer may be increased or decreased at the employer's discretion).