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Health Care and Pension Benefits Reform in San Antonio

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Health Care & Retirement Benefits Task Force

In October 2013, the City of San Antonio created the Healthcare and Retirement Benefits Task Force to study the looming issue of public safety costs related to health care and retirement benefits. The city estimates that if no program changes are enacted, police and fire department expenditures could consume 100 percent of general fund resources by 2031. Because the Collective Bargaining Agreements between the City and the Police and Fire Associations respectively end September 30, 2014, an opportunity for reform of certain aspects of San Antonio's public safety benefits structure exists.

Health Care Benefits

San Antonio's health care benefits program for all employees is self-funded and administered through United Healthcare. United Healthcare's network is, as with private market insurance, available to employees at a reduced deductible and out-of-pocket cost, and San Antonio pays for this coverage at a reduced rate. However, out of network costs are borne in their entirety by the City of San Antonio.

San Antonio's health care plans have virtually no limit on out of network claims,[1] meaning that once the maximum out-of-pocket is reached, employees are able to go out of network at very little additional cost.

In network deductibles for uniformed public safety employees are $250 for individuals and $500 for families. Out of network, individual deductibles are $500 and family $1,000. Maximum out-of-pocket in network for individuals is $500 for fire and $600 for police, and $1,500 per family for both fire and police. Out of network, maximum out-of-pocket rises to $1,200 for police individuals and $1,000 for fire individuals, and $3,000 for families. Coinsurance is 80 percent for in network and 60 percent for out of network expenses, meaning that public safety employees will pay an additional 20 percent of costs over deductible until reaching their maximum out-of-pocket.

Non-public safety, or civilian city employee out of network costs deductibles, by contrast, are much higher. The in network deductible for families under the most expensive plan available for civilian employees is $1,500, and the out of network deductible is $3,000. These are 300 percent higher than what public safety employees pay for the same coverage. Uniform employees also do not pay any monthly premiums for their care, unlike civilian employees whose premiums for families can be anywhere from $130 for the least expensive plan to $1,065 for the most expensive plan per month. These deductibles and maximum out-of-pocket costs are very low and provide very little incentive for uniformed employees to stay in network, or put another way, the disincentive to leave the network is fairly low.

A reduction in out of network claims would have a significant budgetary impact. Civilian in network utilization increased from 93.8 percent in FY12 to 95.0 percent in FY13, corresponding to an increase in out of network deductibles. Increased civilian in network utilization saved the City of San Antonio $983,000. On the uniform side, in network utilization decreased from 96.4 percent to 93.8 percent, costing the city approximately $2,300,000. For every additional percentage point in out of network claims by uniformed employees, the City of San Antonio has to pay approximately $864,000 in additional claims.

The City of San Antonio should increase out of network deductibles for current public safety employee plans to at least the amount paid by the most expensive city civilian employee health care plan, $1,200 for individuals and $3,000 for families, and increase out of network maximum out-of-pocket to also match the "premier" civilian plan, at $3,400 for individuals and $6,800 for families. This would increase the incentive for public safety employees to stay in network, reducing costs for San Antonio's taxpayers.

New public safety hires should be given the same choice of health care plans as the city's non-public safety person-

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nel have, including paying the same levels of monthly premiums and having the same options for deductibles and maximum out-of-pocket as civilians have. Because new hires will not have worked for the city under a different benefits structure, and therefore cannot be said to have lost anything when changing benefit structures, it is reasonable to make the greatest changes with them.

Pension Benefits

Although state law restricts the ability of large cities in Texas to modify pension benefits without the law changing, there are certain inherent powers cities have to affect pensions, specifically as regards pensionable pay.

The average gross pay for uniform police employees in San Antonio is $87,805. This includes the base salary of $64,113, $5,340 in overtime and $18,352 in "supplemental pays," which are additional payments to employees on top of their base salary. For fire employees, the average gross pay is $92,921, including a base salary of $63,094, supplemental pays of $14,335, and overtime of $15,492.[2] Some supplemental pays are pensionable.

Supplemental pays include a number of things. For example, one supplemental called "Shift Differential Pay" pays an extra $350 per month to all police officers who begin work after noon. Thus, if an officer is assigned to begin work at noon or later, they receive an additional $4,200 a year, and all of it is pensionable.

The City of San Antonio should eliminate supplemental pays for all new public safety hires, having the effect of reducing pensionable pay while still maintaining base pay. In addition, base pay should be frozen on new hires for a period of five years.

Statutory Changes Needed

Currently, state statute does not allow for local control for Texas' largest cities in the area of pension benefits for all employees and retirement health benefits for public safety employees.

More precisely, 12 local retirement systems in seven major Texas metropolitans have successfully lobbied the Legislature to codify their pension plans and benefits structure in state statute. As a consequence, these local systems have effectively fossilized certain critical aspects, like "contribution rates, benefit levels, and the composition of their board of trustees," such that in many cases, no outside party can make meaningful changes without first going to the statehouse and passing legislation.[3] The exact details of what reforms can be enacted within these particular systems varies from fund to fund. Complicating matters further is the fact that making statutory changes first requires that the legislature be in session, an affair that only occurs once every two years. This leaves prudent planners with only a narrow window of time to propose and enact any critical changes.[4]

The San Antonio City Council should pass a resolution before the next legislative session calling on the Legislature to remove restrictions on local governments that prevent them from modifying their own benefit structures, and restore local control. San Antonio can and should be a leader in restoring to local communities a say in how benefit plans are structured as Texas moves closer to the 2015 legislative session. ✪

[1] For self-insured plans, there is a $1,500,000 lifetime limit.

[2] City of San Antonio, Texas, "Orientation on City's Budget, Healthcare and Pension Benefits," Healthcare & Retirement Benefits Task Force (28 Oct. 2013).

[3] James Quintero and Talmadge Heflin, "Overview of Local Retirement Systems Under State Governance," Texas Public Policy Foundation (22 Jan. 2013).

[4] For a summary of local retirement systems under state governance, see the Texas Public Policy Foundation's "Overview of Local Retirement Systems Under State Governance."