

Snyder Suggests Municipal Retirement Health Care Reforms In Lane Duck

Reforming Michigan's municipal retiree health care system, pegged in one estimate as an \$8 billion unfunded liability statewide, is an issue Gov. Rick **SNYDER** told *MIRS* today he'd like addressed in lame duck.

If the issue isn't tackled by year's end, "We should be discussing it in 2017 because the liability number is very, very large," Snyder said.

"I think it's a topic that should be addressed in a thoughtful way," Snyder said. "You're talking about people's health benefits through retirement, but it's an issue that we need to do better at in terms of making sure there's a sustainable system that's funded appropriately and can be successful in the long term."

He said Health Savings Accounts could be used as a tool, but a lot of municipalities aren't participating in the Medicare program, which, over the longer term, "works well for most people."

The question is how that can be integrated in a broader system either through stipends or Health Savings Accounts.

When told retirees would get nervous about the state changing the health care system, Snyder said, "You have to do it in a thoughtful way and you have to do it in a way where there can be a good public discussion about what's best for everyone."

In related news, some union groups were notified today by Snyder's Director of Strategy, John **WALSH**, that municipal retiree reforms were on the table for lame duck.

Mark **DOCHERTY**, president of the Michigan Professional Fire Fighters Union, said he wasn't opposed to a "thorough, thoughtful" discussion on the topic, but the issue is too important and too complex to push through in a few weeks of lame duck.

For one thing, different communities are in various stages of pre-funding their retiree health care and to "paint every community with the same brush is not going to work. Some groups have already made retiree health care concessions. Some definitely, some that have not."

Told about Medicare being an option, Docherty noted that many firefighters retire in their mid-50s due to the physical nature of their work and they would not qualify for Medicare until they are 65 unless they are receiving disability.

Some union officials were given the impression that Snyder was coming out of the gate with a proposal to end all municipal health care benefits with Health Savings Accounts. Asked if this was true, Snyder Director of Communications Ari **ADLER** said, "Any discussion of what is in any sort of proposal is premature at this point."

Asked how passionate the Governor was about pushing through reform during Lane Duck,

Adler said, the "exact timing has not been determined."

Cities and municipal leaders see reforming the state's retiree health care costs as one of the "three legs" of municipality budgets. Local government leaders talked about this issue at the West Michigan Policy Forum in September (See "[Report: Unfunded Health Care Twice As Much As Unfunded Pensions](#)," 9/26/16).

Port Huron CEO James **FREED** said at the time that current city employees are getting to the point where they are worked about not having health care in the future. The issue of whether current retiree union-negotiated healthcare benefit contracts can be restructured is currently being litigated in circuit court.

A 2013 report co-authorized by then Michigan State University professor Eric **SCORSONE** found that 80 percent of the \$10 billion in combined local government debt is tied to retiree health care. And these numbers exclude the city of Detroit. Scorsone was recently hired to be a deputy director within the Department of Treasury.

"The system is broken and it's something that we need to address," said Chris **HACKBARTH**, legislative director for the Michigan Municipal League (MML). "It does need to be done in a thoughtful way. We still want good public sector employees so we need to be competitive with our compensation package."

The concern for Nick **CIARAMITARO**, director of legislation and public policy for AFSCME, is that current municipal employees will have their health benefits stripped from them, which would be "probably the most inhumane proposal I've seen in my 40 years in government."

Police officers, firefighters, public works employees and those who perform jobs that require physical labor need some benefit when they retire. If they are left high and dry, Ciaramitaro urged that health care professionals be brought to the table to give their input on the impact of uncompensated care to the system.

"If Republicans are saying, "Old folks shouldn't have health care coverage. It's an outrage," he said.