

S. Tahoe retirees grapple with potential spike in health care

Publisher's note: *This is the second of a two-part series about South Lake Tahoe's fiscal situation.*

By Kathryn Reed

Fixed incomes and health care payments are beginning to clash for South Lake Tahoe retirees.

As retirees, most of their retirement checks are set. Not so when it comes to health care benefits. They get what employees get. And this may mean they could be paying more as of Oct. 1.



While discussions sputter along between city negotiators and the seven collective bargaining units, the retirees are making noise. They want a seat at the table, but are being denied. They say in past years they've been able to have a voice, but say City Manager Tony O'Rourke is denying them that opportunity now.

"As to why the retirees are not at the table: 1. It is not in the seven collective bargaining MOUs. 2. It is exclusive bargaining right of the city and current employees to amend the health plan and cost structure. 3. If retirees were at the table, it is only fair city taxpayers were also there since they ultimately pay for all our health care costs," O'Rourke told *Lake Tahoe News*.

Retirees have three representatives residing in Lake Tahoe – none allowed a seat at the table.

Lake Tahoe News obtained the following message from a 28-year

city employee retired for 16 years who sent the following email to O'Rourke, "What is being proposed will put some of us on welfare. The cost of insurance has not gone up very much for the city and to try to increase our deductible by 300 percent for individual and 450 percent for family and a 400 percent increase in individual out of pocket and a 600 percent increase in family out of pocket. My retirement pension is \$28,000 per year. We will have to go on welfare. Please don't do this to the retirees. Those that are working can still plan for their future. I'm 70 years old and I cannot; my future was planned 16 years ago and now you're trying to kill me."

Retirees are subject to the same health care as employees – so if employees agree to changes, retirees have no choice.

The current deductible for retirees is \$250 and the city is looking at increasing it to \$750. Now they must pay \$1,000 out of pocket, with the possibility of that increasing to \$4,000.

"I wouldn't have left if I knew they were going to take the medical away," said Mike Pollack, who worked for the public works department from 1982-2009. "I have no idea what the recourse is but go back to work."

Retirees have told *Lake Tahoe News* they are looking into their legal options. With one of them being a retired city attorney, they have connections.

One thing several retirees told *Lake Tahoe News* is they sacrificed pay increase with the promise of premium health benefits upon retirement.

"When we retired we expected no changes in our benefits. We had a realistic expectation that what we went out with, we would keep," Candy Morganson, who worked as a secretary for the fire department, and building and safety from October 1979 to December 2004, said. "What happened is the day you walk out the door they hand you a piece of paper and they force you to sign it. Whatever current employees have, you get, too."

Many who talked to *Lake Tahoe News* believed they were retiring with a defined health benefit that could not be changed. That's not the case.

"It's not my fault they don't have the money," Al Turner said. He blames previous councils and city managers for their financial choices as to why there isn't money now to pay for retiree benefits.

Turner worked for the city in the roads department for nearly 30 years, having retired in April 2004.

He said his colleagues gave up about 12 percent worth of raises to have the city pick up the pension and health care costs.

"Don't tell me I'm not paying for it," Turner said.

To reel in costs, a previous City Council passed a policy that says anyone hired after Jan. 1, 2008, will not receive health benefits from the city upon retirement.

Currently, 134 retirees are on the city's health care plan and 188 employees use it.

The following is an example of a vesting schedule as provided by the city:

Less than 10 years: employee pays 100 percent, city pays zero.

More than 10, less than 15: employee pays 75 percent, city 25 percent.

More than 15, less than 20: employee pays 50 percent, city 50 percent.

More than 20, less than 25: employee pays 25 percent, city pays 75 percent.

More than 25: employee pays zero percent, city pays 100

percent.

The city is self-insured. The last time the city went out for a request for proposal for health insurance was in 2010.

For 2011-12, the city has budgeted \$1,989,712 for retiree health benefits. Health costs are estimated to increase between 4 to 5 percent annually over the next five years, according to the city.

“Assuming a middle point, 4.5 percent increase, then the total amount estimated for the next five years would be \$10,885,137,” city spokeswoman Nancy Kerry said.

She broke down the figures as follows:

- Fiscal year 2011-12 \$1,989,712
- FY 2012-13 \$2,079,249
- FY 2013-14 \$2,172,815
- FY 2014-15 \$2,270,592
- FY 2015-16 \$2,372,769.

Retirees have their own budgets, costs and stories to share.

The following is from Morganson:

“Last August, my husband suffered a life-threatening medical emergency requiring emergency bilateral brain surgery. He spent a combined total of seven weeks in three different hospitals in Reno and San Francisco – nine days in ICU at Renown Medical Center, a month at Tahoe Pacific Hospital (respiratory rehab) as he required a tracheotomy immediately post-op as he could no longer breath without assistance, and then two weeks in the acute rehab section for TBI at St. Francis Hospital in San Francisco. As you can imagine, the costs for this care were staggering. This doesn’t count the cost of the ALS ambulance transport from Reno to San Francisco

and from San Francisco back home in Incline Village.

“While Medicare picked up a substantial portion of the costs after their deductible, the city insurance also picked up the balance after applying deductibles. Luckily I had the few thousand dollars to handle that. If the same occurred with the newly proposed cuts in coverage/increased co-pay and ‘stop loss’ amounts, the result would be financially devastating. As retirees, we exist on a fixed income with very little ‘wiggle room’ in our budget.

“While nobody can plan for a catastrophic event such we experienced, it only takes once to financially devastate a family. That is yet another reason we retirees want our medical coverage – to remain as it was when we retired and as we were led to believe it would, at least until the day each of us retired and were forced to sign the form I described to you. I think I would be safe to say that retirees would have no problem if current employees want to impose these increased costs on themselves, but we want the city to honor its obligation to us retirees & leave our medical benefits alone.”

When Tom Fay started with the city he made \$1.85 an hour. By the time he left in 1996 he was making \$19/hour as street superintendent of public works. His pension is less than \$28,000 a year, he said.

“We gave up several years of raises to get the medical package,” Fay said. “The majority of retirees were there when the salaries were low. Medical benefits were the asset they were looking forward to.”