

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 20, 2025

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Tony L. Maze, Director of Total Rewards, Department of Human Resources

Subject: **Informational Report from the Director of Total Rewards, Department of Human Resources, in response to the request for an analysis of potential savings associated with increasing the health insurance opt-out incentive payment in 2026**

File Type: Informational Report

REQUEST

In response to the request for an analysis of potential savings associated with increasing the health insurance opt-out incentive payment in 2026, please find below the preliminary findings.

Participation Trends and Historical Costs

- Since 2018, approximately 300 employees have waived health insurance coverage each year—a figure that has remained consistent.
- The table below outlines the projected County cost at various opt-out incentive levels:

Employees Waiving Coverage	Opt-Out Amount	Total County Cost
300	\$500	\$150,000 (<i>Current</i>)
300	\$750	\$225,000
300	\$1,000	\$300,000
300	\$1,250	\$375,000
300	\$1,500	\$450,000
300	\$1,750	\$525,000
300	\$2,000	\$600,000

Cost Context and Savings

The average annual cost to Milwaukee County for an employee enrolled in health insurance is approximately \$15,800, excluding claims.

With approximately 300 employees opting out each year, the County currently realizes an estimated \$4.7 million in premium savings annually (300 x \$15,800), not including the additional savings from avoided claims costs.

Benchmarking and Market Comparison

According to a recent analysis by Milwaukee County's health care consultant, Willis Towers Watson:

- Of 31 public sector employers surveyed in 2025, the mean opt-out rate was 14.6%, and the median was 13.5%—regardless of whether an opt-out incentive was offered.
- Milwaukee County's current opt-out rate is 8.7%.
- The median opt-out incentive amount among surveyed employers was \$1,000.
- If Milwaukee County were to increase the opt-out incentive to \$1,000 while maintaining the same number of participants (300), it would result in an additional cost of \$150,000, with minimal to no expected increase in opt-outs.

Projected Fiscal Impact Based on Increased Participation

While historical trends suggest opt-out participation is unlikely to reach or exceed 15%, the following estimates model potential financial impacts based on different incentive levels and projected participation increases. (Total eligible active employees = 3,450)

Estimated Employees Waiving Opt-Out Amount Total County Cost

300	\$500	\$150,000 (<i>Current</i>)
350	\$750	\$262,500
450	\$1,000	\$450,000
475	\$1,250	\$593,750
500	\$1,500	\$750,000
520	\$1,750	\$910,000
520	\$2,000	\$1,040,000

Based on prior experience and the richness of Milwaukee County's employee benefits package, it is unlikely the opt-out rate will approach or exceed 15%.

Alternative Cost-Saving Strategy: Spousal Surcharge

As an alternative to increasing the health insurance opt-out incentive, the County may wish to consider implementing a spousal surcharge for medical plan coverage. This strategy is used by many employers to encourage spouses with access to other coverage to enroll elsewhere, thereby reducing plan costs.

Proposed Structure

- Spousal Surcharge Amount: \$50/month
- Applies To: Active employees and Pre-65 retirees covering spouses

2024 Spouse Coverage Overview

- Total Spouses Covered: 1,401
 - 1,107 Active
 - 294 Pre-65 Retirees
(Based on current EE+Spouse and Family tier enrollment)

Estimated Financial Impact Based on Persistency Scenarios

Spousal Plan Persistency	Estimated Annual Savings
100% (No change in coverage)	\$840,600
90%	\$2,265,692
75%	\$4,403,330
0% (All spouses leave plan)	\$15,091,522

Note: Actual impact is highly dependent on member enrollment decisions. The figures above provide a sensitivity analysis to illustrate potential savings under different persistency assumptions.

This approach may offer a more targeted cost-saving opportunity, with the potential for greater long-term impact compared to increasing the opt-out incentive, particularly given the limited movement in opt-out participation over the past several years.

VIRTUAL MEETING INVITES

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