# Chicago mayor announces elimination of retiree health care subsidies

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Chicago's Democratic Party mayor Rahm Emanuel announced on October 9 that the city would go forward with a plan to entirely eliminate health insurance subsidies for retired city workers at the end of 2016. An estimated 21,100 workers, along with 9,100 of their spouses and dependents, will see their health costs rise dramatically.

Presently, retired workers receive a 55 percent subsidy for health insurance from the city, with pension funds contributing 15 percent and the retirees themselves responsible for 32 percent. Emanuel's plan would reduce the city-funded contribution in 2014 to 41.5 percent for workers hired between August 23, 1989 and July 1, 2005, and to somewhere between 37.5 percent and 30 percent depending on length of service for those hired after those dates. Retirees who were hired before these dates will keep the subsidies, due to a settlement stemming from a federal lawsuit.

Although the subsidies will be reduced to zero for 2017, the Emanuel administration has so far refused to state the subsidy levels for 2015 or 2016. Monthly premiums currently range between $73 for a worker who is single and eligible for health care through Medicare, to $1,819 for two who are not eligible for Medicare and have children. According to the city, premiums in 2014 will rise between $37 per month for single, Medicare-eligible workers and $370 for families who are not Medicare-eligible.

While brushing aside the impact these cost increases will have on retirees and their families, the mayor has touted the $18 million in cost savings the city will enjoy in the first year as a result of the cuts, and disingenuously claimed that workers would see "no increases in copays, deductibles or out-of-pocket costs other than the same small percentage increases that already occurred annually in the previous plan."

In other words, not only will premiums be increasing, particularly when the subsidies are entirely eliminated, but the total out-of-pocket costs will continue to rise as well. Furthermore, once the subsidies are eliminated, retired workers will no longer be eligible to participate in the city health care plan and will be forced to purchase insurance on the health care exchanges implemented by the Affordable Care Act (ACA). Many of the plans on the Illinois exchange feature out-of-pocket costs much higher than those available through employers, according to a *Chicago Tribune* report.

Chicago is not the only city stripping retired workers of health care coverage. The city of Detroit, which recently filed for bankruptcy, has also announced that retired workers too young to receive Medicare will be dumped from city health plans onto the ACA insurance markets. Stockton, California, recently ended subsidized coverage for retirees, and the state of Washington is investigating moving all of its workforce onto the ACA exchanges.

A number of the largest employers, including IBM, Time Warner, Caterpillar and DuPont have moved retired workers onto private exchanges modeled after those established by the ACA, while many more are planning to do so.

Underscoring the degree to which Emanuel is consciously implementing a plan worked out with Obama on behalf of the ruling class—to dismantle the system of employer-based health insurance and replace it with what is, in essence, a voucher program—a city news release quoted him saying: "In light of the evolving national health care landscape, as well as pressures faced by our taxpayers, we are adjusting the current retiree healthcare plan while continuing to provide a substantial city subsidy in 2014."

At the same time that Emanuel has implemented these cuts, he has also campaigned heavily in the Illinois state legislature for a bill to cut Illinois pensions. The General Assembly is expected to consider a pension bill during its veto session starting on October 22. Under consideration is a plan projected to cut pension spending by $138 billion over 30 years by cutting the annual cost-of-living adjustment from 3 percent per year to half the rate of inflation, with a minimum of 1 percent and maximum of 4 percent.

Facing a combination of reduced pension payments and increased health insurance premiums, retired workers will be compelled to curb spending in other areas, leading to a reduced standard of living. Many will no doubt choose more affordable but less comprehensive health insurance plans, increasing the risk that they will avoid going to the doctor in order to save money, or potentially face financial catastrophe in the case of a major illness or injury.

Emanuel, Obama's former chief of staff as well as a former investment banker, claims the cuts are necessary to deal with an estimated budget deficit of $338.7 million for the next fiscal year. This is ridiculous. The $108.7 million total cost for retiree health care is a paltry sum compared to the vast wealth of Chicago's super-rich, a population that includes more than 800 individuals with over $30 million in net assets, not to mention 15 billionaires.

The unions' response to Emanuel's cuts has been to foster illusions in the courts, and a number of retirees have filed a class-action lawsuit to stop implementation of the phaseout. Previously, a coalition of many of the largest unions endorsed a plan put forward by Democratic Senate president John Cullerton that would have forced retired workers to choose between cost-of-living adjustments to their pensions and subsidized health care.