



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 10/15/2024
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Renew the Sourcewell Health Insurance Contract for 2025 with Blue Cross Blue Shield and Authorize Contract Execution

Approval Required: Simple Majority Vote

BACKGROUND

In 2002, the City of Baxter joined the Sourcewell (formerly National Joint Powers Alliance) cooperative to pool our health insurance risk and obtain lower overall health insurance premiums. Sourcewell coordinates health insurance carrier coverage on behalf of its members through the competitive bidding process as required by state statutes. In 2024, Blue Cross Blue Shield was selected by Sourcewell for the multi-year contract beginning in 2025. The insurance carrier is a change from Health Partners, the current provider.

The city's current contract expires at the end of the calendar year and a decision on the city's renewal must be approved. The health insurance renewal is effective January 1, 2025.

Based upon anticipated claims year-to-date, city per member per month claims for the year, and the city's longevity in the Sourcewell insurance pool, a 9% premium increase for each single and family coverage is being presented by Sourcewell for 2025. Assistant City Administrator Steele and Finance Director Vacinek reviewed the city's renewal with Sourcewell representatives with the main points outlined in the Financial Implications section below. Sourcewell has communicated to the city it has matched our current Health Partners plan as close as possible with the new Blue Cross Blue Shield plan and all other contract provisions are similar to the city's current contract with Health Partners.

One of the components continuing to impact health care coverage and its associated premiums is the federal Affordable Care Act (ACA) and the fees and taxes accompanying it. One of the taxes and fees impacting the city, the Comparative Effectiveness Fee (PCORI) was set to expire but has been extended. Sourcewell is currently (as of 2022) paying and reporting on PCORI fee on our behalf.

As part of the ACA, certain requirements apply for Applicable Large Employers (ALEs), those with 50 or more full-time employee equivalents (FTE's). As of 2024, the city is at approximately 50 budgeted FTE's, with a few vacancies or unfilled new positions. Once classified as an "ALE", the city may be subject to additional annual IRS reporting requirements and other employees (seasonal) may become eligible for health insurance coverage. Meticulous monitoring of seasonal employee work hours and adjusting of schedules may be necessary also. While staffing decisions should not be made solely to avoid the 50 FTE threshold, the city should be strategic in its future additional staffing approach to avoid any unnecessary further financial or administrative burdens that occur with being classified as an ALE.

FINANCIAL IMPLICATIONS

For the January 2025 renewal of the current health insurance plan for both single and family coverage, the overall increase in the premium provided by Sourcewell is 9.0%. The increase compares to a 15.0% increase last year, an 11.6% increase in 2023, an 8.3% increase in 2022, and a 1.3% increase in 2021.

Based upon the city’s longevity in the pool and utilization during the prior period, the 2025 increase of 9.0% for Baxter was in line with the 9.0% pool average and 9.0% floor for other small groups (less than 100 employees) in the insurance pool. The increase for small groups ranged from the 9.0% floor to an 11.0% cap. Sourcewell is now scaling out the plans for small and large groups because of the volatility with smaller groups. Per Sourcewell, Health Research Institute is projecting an 8.0% medical cost increase for 2025, compared to 7.5% and 8.0% increases in 2024 and 2023, respectively.

From the projected census for 2025, the city’s estimated cost across all funds is \$1,205,196 for 2025. The preliminary budget reflects the health insurance premiums for 2025. The summary table below illustrates the premium changes and the employee’s and city’s responsibility.

Health Insurance Analysis				
	Individual	Employee	Employer	Employer
2025 Projected	Premium	Portion	Portion	Annual Cost*
Single Premium	1,203.00	-	1,203.00	447,516
Family Premium	4,100.00	943.00	3,157.00	757,680
				1,205,196

*Based upon Projected 2025 Census

STAFF RECOMMENDATIONS

Administration and Finance recommend renewal of the health insurance contract with Sourcewell and Blue Cross Blue Shield for similar coverage and the same terms. Through the cooperative, the city is able to obtain lower, pooled rates that are more stable annually. The cooperative also seeks competitive bids as required by state law. Without the cooperative, the city would be responsible for this additional task.

COUNCIL ACTION REQUESTED

Motion to renew the Sourcewell Blue Cross Blue Shield health insurance contract for the 2025 contract year and authorize staff to execute the contract with Blue Cross Blue Shield and Sourcewell