



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 10/6/2026
Agenda Section: Consent Agenda

Department Origination: Administration and Finance

Agenda Item: Renew the Sourcewell Health Insurance Contract for 2027 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 City's current contract expires at the end of the calendar year and a decision on the City's renewal must be approved to schedule the employee open enrollment benefits meeting. The health insurance renewal is effective January 1, 2027.

Based on several data points and factors, North Risk Partners, the City's health insurance advisor, solicited quotes on the City's behalf from health insurance companies, including Sourcewell, on the open market. The solicitation helps ensure the City obtained the best health insurance rates for 2027. The results of their efforts were presented at the work session held earlier this evening. North Risk Partners is recommending the City remain with Sourcewell for 2027.

The Sourcewell quote included the requirement the City offer Kavira Health coverage to employees. In exchange for reducing the premiums by the same amount, the City is required to offer and pay for the Kavira monthly subscription for all employees on the City's health insurance.

According to Kavira, the company is a subscription-based primary and urgent care clinic, that delivers all care via telehealth, and in-person home visits. It is a subscription fee service paid by the employer for employees and families to receive unlimited, on-demand, and free (with some limitations) access to their clinic. A separate contract will need to be executed with Kavira. In addition to a \$27 per month per employee cost, there will be additional finance staff time involved with administering payment for the service.

The solicitation North Risk completed also included the submission of quotes for high-deductible HSA plans. This was conducted as a directive from Administration as an opportunity to explore health insurance plan alternatives that have been requested by employees over the years. Based on the results of the solicitation, Finance and Administration believe that it is an opportune time for the City to consider offering an HSA alternative to employees to stabilize premium increases to employees and the City. We are requesting Council to consider offering Sourcewell's HSA Smart Plan 3 (see attached) as an alternative health insurance coverage option to eligible employees in 2027. This option would include offering an employer annual contribution to an employee's HSA account (\$1,750 for single coverage or \$3,500 for family coverage) payable on a quarterly basis upon the completion of service each quarter.

FINANCIAL IMPLICATIONS

For the January 2027 renewal of the current health insurance plan for both single and family coverage, the overall decrease in the premium provided by Sourcewell quote, including the Kavira coverage, is about \$2,716 or a blended decrease of approximately 0.3%. The change compares to a 2.5% increase last year, a 9.0% increase in 2025, a 15.0% increase in 2024, and an 11.6% increase in 2023.

Utilizing the existing current employee census (employees electing single or family health insurance coverage), for 2027 the City's estimated cost across all funds for the current health insurance plan is \$1,002,624, including the addition of Kavira coverage. The employee responsibility for family coverage decreases by about \$20 per month for the existing plan. The summary table below illustrates the premium changes and the employees' and City's responsibility with the City covering the Kavira monthly cost.

Health Insurance Analysis - Current Plan				
Current Year and Upcoming Year Comparison				
2026 Original	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost*
Single Premium	1,241.00	-	1,241.00	580,788
Family Premium	4,177.00	960.70	3,216.30	424,552
				1,005,340
2027 Projected	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost*
Single Premium	1,221.00	-	1,221.00	571,428
Family Premium	4,087.00	940.00	3,147.00	415,404
Kavira Coverage**	27.00	-	27.00	15,792
				1,002,624
Total Estimated Employer Net Increase/(Decrease)				(2,716) -0.3%
*Based upon Current Employee Census (2026) Projected No Change for 2027 for the Current Health Insurance Plan				
**Kavira Coverage a requirement by Sourcewell for quoted 2027 premium amounts				

Based upon the solicitation that recognizes the City's longevity in the pool, lower utilization during the prior period, requirement to add Kavira, and other factors, the 2027 net reduction of 0.3% for Baxter was lower than 6% to 19% renewal range Sourcewell proposed for other groups in the insurance pool. The increase for small groups (less than 100 participating members) was a minimum of 8.5% for 2027.

Comparing the existing plan to HSA Smart Plan 3 with the assumptions every employee would elect to change coverage to the HSA plan and the employee census of single vs. family coverage remained the same, the City would see an approximate \$197,088 decrease in the health insurance costs for 2027 after providing the proposed annual HSA contributions of \$1,750 for single and \$3,500 for family coverage toward an employee's HSA account.

The impact to an employee electing family coverage would result in a monthly premium savings of \$315. This equates to an annual savings to an employee on family coverage of \$3,780. Combined with the City annual HSA contribution of \$3,500, the \$7,000 family deductible cost to the employee for the HSA plan would be covered.

**Health Insurance Analysis - Current Plan for 2026 Current Year
and HSA Smart Plan 3 for Upcoming Year 2027 Comparison*****

2026 Original	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost*
Single Premium	1,241.00	-	1,241.00	580,788
Family Premium	4,177.00	960.70	3,216.30	424,552
				1,005,340

2027 Projected	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost***
Single Premium	856.00	-	856.00	400,608
Family Premium	2,805.00	645.14	2,159.86	285,102
Kavira Coverage**	27.00	-	27.00	15,792
Single HSA Contribution			68,250.00	68,250
Family HSA Contribution			38,500.00	38,500
				808,252

Total Estimated Employer Net Increase/(Decrease) (197,088) -19.6%

*Based upon Current Employee Census (2026) Projected No Change for 2027

**Kavira Coverage a requirement by Sourcewell for quoted 2027 premium amounts

***Cost comparison assumes all employees would elect to change from current plan to HSA Smart Plan 3 and no change in Employee Census for Coverage

The next table illustrates the short-term risk sensitivity of the potential for the employee census changing with the addition of the HSA plan. If as few as twelve of the 39 current employees on single coverage moved to family coverage for 2027, the City's cost would increase to about \$1,017,007, or about \$11,668 over the 2026 amount.

Health Insurance Analysis - Current Plan for 2026 Current Year and HSA Smart Plan 3 for Upcoming Year 2027 Comparison with Census Change***				
2026 Original	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost*
Single Premium	1,241.00	-	1,241.00	580,788
Family Premium	4,177.00	960.70	3,216.30	424,552
				1,005,340
2027 Projected	Individual Premium	Employee Portion	Employer Portion	Employer Annual Cost***
Single Premium	856.00	-	856.00	277,344
Family Premium	2,805.00	645.14	2,159.86	596,121
Kavira Coverage**	27.00	-	27.00	15,792
Single HSA Contribution			47,250.00	47,250
Family HSA Contribution			80,500.00	80,500
				1,017,007
Total Estimated Employer Net Increase/(Decrease)				11,668 1.2%
*Based upon Current Employee Census (2026)				
**Kavira Coverage a requirement by Sourcewell for quoted 2027 premium amounts				
***Cost comparison assumes all employees would elect to change from current plan to HSA Smart Plan 3 and 12 of the 39 employees currently electing Single coverage change to Family coverage that has a higher City contribution				
There would no longer be a cost savings to the City under this scenario				

The change is attributable to two differentials. First, the City contributes about \$2,160 monthly toward the family coverage premium compared to \$856 monthly for the single coverage premium on the HSA plan under the current formula. Second, with the HSA plan the City is proposing to provide \$3,500 annually toward the employee's HSA deductible for family coverage compared to \$1,750 annually for single coverage. This is worth noting because it is unknown exactly how the employee coverage census would change with the addition of the HSA plan. Any short-term City savings under this scenario would be eliminated.

STAFF RECOMMENDATIONS

Administration and Finance recommend awarding the 2027 health insurance contract to Sourcewell and Blue Cross Blue Shield at the quoted rates for both the existing insurance plan and Smart Plan 3 as outlined in this RCA. A contract with Kavira Health will need to be considered at a future date for the Sourcewell quoted premiums to be effective for 2027. The City should reserve the right to evaluate the Kavira program on an annual basis to ensure the cost of the service does not exceed the benefit derived from potentially reduced health insurance premiums.

COUNCIL ACTION REQUESTED

Motion to award 2027 health insurance contract to Sourcewell and Blue Cross Blue Shield at the quoted rates for both the existing insurance plan and Smart Plan 3 as outlined in this RCA.