

# Memorandum



Date: June 19, 2025  
To: Buchanan City Commission  
From: Tony McGhee, City Manager  
Subject: **FY 2025/26 Health Insurance Coverage**

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## **Background**

As part of our ongoing efforts to manage costs while maintaining quality benefits for City employees, staff conducted a review of our current health insurance provider and explored alternative coverage options for the upcoming plan year after we received our proposed premium increase for the upcoming year.

The City currently provides health insurance coverage through Blue Cross Blue Shield of Michigan at an annual cost of \$241,155. However, we were recently notified that this premium would increase to \$316,195, a 31% increase for the upcoming year. In response to this significant rise, City staff solicited quotes from other providers and identified a competitive and comparable health insurance plan through Priority Health at an annual cost of \$300,850.

This transition to Priority Health will:

- Reduce the City's annual insurance costs by \$15,345 compared to the projected Blue Cross renewal.
- Provide comparable coverage for employees, with plan features that better align with the City's Health Savings Account (HSA) contributions.
- Result in lower premium costs for employees, due to more favorable rate structures under the new plan.

Under the terms of our collective bargaining agreements, the cost of health insurance is shared on an 80/20 basis between the City and employees. Both AFSCME and the Police Union reviewed the proposed changes and voted in favor of transitioning to Priority Health for the upcoming plan year.

It is important to note that health care coverage remains one of the most important and sought-after benefits for public employees, especially in a competitive job market. As we continue to recruit and retain qualified staff across all departments, offering a strong and reliable health insurance plan is essential to remain competitive with other municipalities.

and private sector opportunities. Quality health benefits are consistently ranked as a top consideration by potential applicants and a key factor in long-term employee retention. Staff is confident that this change provides a responsible and balanced approach address rising costs while continuing to offer employees strong health coverage and support.

**Recommendation**

Staff recommends approving the proposed allocating the necessary funding to cover the City of Buchanan's share of insurance from Priority Health for eligible City employees. The overall cost will adjust based on the number of employees taking coverage. Staff will monitor our budgeted about for this cost and manage any changes as necessary.