THE CITY OF BURLESON TEXAS

Department Memo

City Council Regular Meeting

DEPARTMENT: **Human Resources**

FROM: **Wanda Bullard, Deputy Director of Human Resources**

MEETING: **July 20, 2026**

SUBJECT:

Consider and take possible action on a minute order for a contract renewal with United Healthcare (UHC) and authorizing an expenditure of third-party administration of the medical plan (CSO# 5997-12-2025), dental plan, and vision plan in an amount of $165,748.04 for plan year 2027. *(Staff Contact: Wanda Bullard, Deputy Director of Human Resources)*

STRATEGIC PRIORITY AND GOAL(S):

Strategic Priority	Strategic Goal
High Performing City Organization Providing Exceptional, People Focused Services	1.1 Develop a high-performance and diverse workforce

SUMMARY:

The City recently completed a benefits request for proposal (RFP) for all lines of benefit coverages except for the medical/pharmacy self-insurance third party administration since we are under contract with UHC through December 31, 2028.

In accordance with Texas Local Government Code Chapter 252, the dental and vision agreement with UHC is being procured through a request for proposal for insurance benefits beginning plan year 2027 with an option to renew for up to 5 years. RFP 2026-015–Dental and Vision Insurance Benefits Request was advertised on February 14, 2026, and February 21, 2026, and posted to the City's electronic bidding platform, Euna Solutions, from February 14, 2026, through March 12, 2026. The opportunity was distributed to qualified firms under applicable commodity codes. The number of insurance coverage proposals the City received were 8 for dental and 13 for vision. Based on the published evaluation criteria – including qualifications, experience, overall value, and finalist interviews conducted, UHC scored the highest by the evaluators and was determined to provide the best value to the City.

The City recommends to stay self-insured for dental and fully insured for vision, and award UHC the contract renewal for both. The City is also recommending to add an additional vision plan as a buy-up option with richer benefits for employees to select if they desire to do so.

For dental, UHC was competitive with all bidders while maintaining a large network with no provider disruption. For vision, UHC maintained current pricing in its comprehensive network. Given vision is an employee-paid benefit, the City provided plan comparisons to the Employee Benefits Committee to gather employee feedback. The majority of the employee work group indicated that they preferred to stay with UHC to maintain current providers. Feedback also indicated that the new UHC vision buy-up plan option may potentially reduce out of pocket expenses overall given the enhanced benefits compared to the premiums. UHC is including a one-time tech credit for vision based on employee enrollment which will be approximately $2,000. UHC is also providing a dental rate guarantee for 2 years and vision rate guarantee for 3 years.

The City is recommending a contract renewal term for dental and vision for 2 years to strategically align with the medical plan contract so the 3 core lines of coverage will go back out to market together in 2028 for Plan Year 2029. Since costs are based on enrollment, the City is also requesting an authorization for the expenditure for UHC for the medical and dental TPA fees and vision plan premiums for Plan Year 2027 as outlined herein. The City will request expenditures under the contract each plan year separately moving forward once enrollment is better known for each enrollment year.

The City offers full-time employees and eligible retirees medical, dental, and vision insurance plans. UnitedHealthcare (UHC) currently serves as the third-party administrator (TPA) for the self-funded medical and dental plans, as well as the carrier for the fully-insured vision plan. The cost of the medical and dental plans is shared with the City and employees while the vision plan is an employee-paid benefit that does not have a fiscal impact to the City.

As the medical and dental TPA, UHC completes processing all claims according to the plan descriptions, handles claim appeals using medical subject matter experts, coordinates Stealth for stop loss coverage data for reimbursements, administers and manages provider network contracts, provides pharmacy benefit management services, performs utilization review services, prepares the detailed plan documents and summary plan descriptions, provides administrative forms and ID cards, and monitors compliance requirements for self-funded plans. The City also uses the UHC Naviguard program to help reduce out-of-network claims expenses. UHC's Naviguard service helps reduce medical plan costs by reviewing and negotiating excessive out-of-network medical bills with providers, often lowering the amount owed by both the employee and the health plan. It also provides expert advocacy and billing support, helping prevent overpayment and resolve billing disputes more efficiently. The medical plan contract increased the Naviguard fee from $5.75 to $10.50 per employee per month (PEPM); an increase that was implemented for all UHC customers. However, for 2025, Naviguard achieved plan savings of $269,018 annually/$59.83 PEPM. While there is an increase to Naviguard in 2027, the savings outweighs the $4.75 PEPM fee increase.

For 2027, UHC's per employee per month (PEPM) TPA fees and premiums are as follows:

Coverage	Plan Year 2026 PEPM	Plan Year 2027 PEPM	Difference
Medical TPA ***Includes Naviguard**	$10.12	$15.86	$5.74
Dental TPA	$4.15	$4.15	$0.00
Vision Base **Vision Buy-Up**	$7.56 Employee / $16.24 Family N/A	$7.56 Employee / $16.24 Family $10.62 Employee / $22.84 Family	$0.00

Annual costs are based on actual employee enrollment, which varies throughout the plan year. In 2027, UHC TPA fees are projected at an annual cost of $76,128.00 for medical and $21,762.60 for dental.

The vision plan is fully insured, and vision insurance premiums are paid 100% by employees. However, as a part of the renewal, an estimate cost is factored into the expenditure request for $67,857.44, which are premiums for employees that select the fully insured vision plan. This cost assumes 50% migration to the new vision buy-up option. These premiums are paid back to the City through payroll deduction each pay period resulting in no fiscal impact to the City.

UHC's medical contract also provides $15,000 in communication credit and $45,000 in wellness credit. These dollars help offset costs in the health fund for new hire and open enrollment communications in English and Spanish, and wellness initiatives for employees, such as the annual health expo, related employee events, wellness reimbursement program for qualifying wellness activities, and the first responder health benefit.

RECOMMENDATION:

Staff recommends to approve a minute order for a contract renewal with United Healthcare (UHC) and authorizing an expenditure of third-party administration of the medical plan (CSO# 5997-12-2025), dental plan, and vision plan in an amount of $165,748.04 for plan year 2027.

PRIOR ACTION/INPUT (Council, Boards, Citizens):

REFERENCE:

FISCAL IMPACT:

Proposed Expenditure/Revenue: $165,748.04
Account Number(s): Various health insurance related accounts
Fund: 620-Health Insurance Fund

Account Description: Covers medical and dental TPA fees, retiree insurance, vision (VSP), and COBRA administration costs.

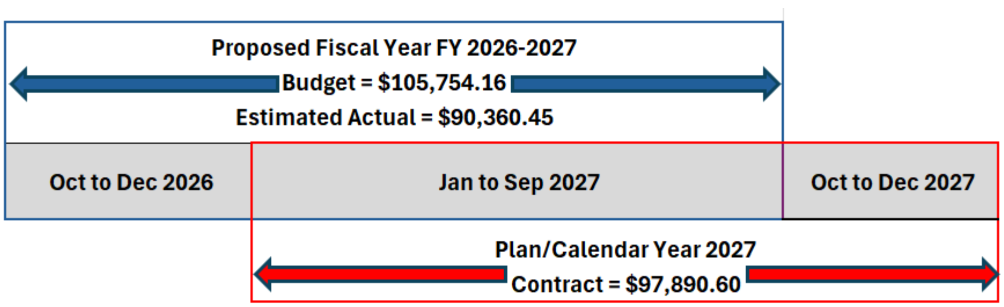
The medical/dental TPA fees have an estimated fiscal impact to the City of $97,890.60 for plan year 2027. Vision insurance has no fiscal impact to the City since this benefit is an employee paid benefit; however, the renewal estimate is $67,857.44.

Third-Party Administration Fees and Vision Fully Insured Premiums

Coverage Type	Current Actual Enrollment	* Total Estimated Enrollment for Plan Year 2027	Cost PEPM	Plan Year 2027 Annual Cost
Medical - TPA	385	400	$15.86	$76,128.00
Dental - TPA	422	437	$4.15	$21,762.60
			CITY COST TOTAL	**$97,890.60**
Vision – Fully Insured Employee Paid	355	370	$7.56 Emp / 16.24 Fam $10.62 Emp / $22.84 Fam	$67,857.44
			CITY COST AND EMPLOYEE PAID TOTAL	**$165,748.04**

**** Includes adding 15 enrollments to account for filling 15 vacancies throughout the year.***

The proposed expenditure for just the City impacted cost of $97,890.60 for medical and dental TPA fees is based on a 12-month calendar year (Jan-Dec 2027) estimated at the new rates at the higher enrollment numbers. When reviewing the 2027 plan year renewal against fiscal year 2027 proposed budget, the City will be under budget for FY 2027 for the coverages that impact City costs (medical and dental TPA fees). The rates for October to December 2026 are lower than the new rates that begin January through September 2027. In addition, the enrollment numbers are lower for October to December 2026 versus the estimated plan year 2027 enrollment. The City is budgeting $105,754.16 for the fiscal year with an estimated spend of $90,360.45.



<u>STAFF CONTACT:</u>

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