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## City Council Regular Meeting

**DEPARTMENT:** Human Resources  
**FROM:** Cheryl Marthiljohni, of Human Resources  
**MEETING:** November 4, 2024

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### **SUBJECT:**

Consider approval of a minute order authorizing \$118,241.16 in additional funding with United Healthcare (UHC) (CSO #5321-12-2023) for third party administration of medical, dental, and vision plans for 2025. (*Staff Contact: Cheryl Marthiljohni, Director of Human Resources*)

### **SUMMARY:**

As a part of the City's competitive benefits package, the city offers full-time employees medical, dental and vision insurance plans.

UHC is the city's third-party administrator for the self-insured medical and dental plans. UHC is also the carrier for the fully insured vision plan.

The City's medical and dental plans are self-funded, which means the city pays claims directly. UHC manages the city's self-funded group medical and dental plans, processing all claims according to the plan descriptions, handles claim appeals using medical subject matter experts, coordinates with relevant parties for stop loss coverage, 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 pays the third-party administration with a fixed fee per employee/retiree per month (PEPM) enrolled in the plan. The 2025 total annual cost for medical and dental is \$69,181.80.

The vision plan is a fully insured plan, which means the employee pays the premium to the insurance company, and the insurance company assumes liability for the claims. The vision plan is fully insured so there is no fiscal impact to the city for the vision plan. However, as a part of the renewal, an estimate cost is factored into the agreement for \$49,059.36, which are premiums for employees that select the fully insured vision plan. These premiums are paid back to the city through payroll deduction each pay period resulting in no fiscal impact to the city.

This renewal option with UHC, was originally approved when the city issued an RFP in 2021 for insurance benefits beginning plan year 2022 with an option to renew for up to 5 years. Plan year 2025 will be the fourth year as part of the renewal option. In addition, the 2025 renewal includes the UHC Naviguard program to negotiate out-of-network claims reducing the city's claim costs and the employee's out of pocket cost. This service is \$4.75 per employee/retiree per month for a total of \$22,230. Naviguard has a potential savings to the self-funded plan of \$52,500 in negotiated out-of-network claim costs.

This UHC renewal also provided an additional \$10,000 to the employee wellness allowances/credits, totaling \$45,000 vs. \$35,000. These dollars help offset costs in the health fund that support wellness initiatives for employees, such as the health expo, related employee events, wellness reimbursement program for qualifying wellness activities, and the new First Responder Health Benefit. UHC also provides \$15,000 allowances/credits for communication. The communication incentive is used to create annual benefit guidebooks and videos, offered in English and Spanish.

**RECOMMENDATION:**

Staff recommends approving the renewal contract with United Healthcare (UHC) to be the third-party administrator for the city’s self-insured medical and dental plans and the carrier for the fully insured vision plan in the amount of \$118,241.16 as awarded from RFP 2021-017 for plan year 2025.

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

- Reviewed Health Fund Financials with Finance Committee on May 8, 2024
- Reviewed Proposed FY25, Compensation, Handbook, and Benefits with Council on July 22, 2024, during the Regular Council Meeting
- Reviewed FY25 Health Fund and Benefit plan changes for 2025 on September 9, 2024, during the Regular Council Meeting
- Reviewed proposed changes for 2025 Benefit plans on October 7, 2024, during the Regular Council Meeting.

**REFERENCE:**

Not Applicable

**FISCAL IMPACT:**

The medical and dental third-party administration fees have an estimated fiscal impact to the city of \$69,181.80 for plan year 2025. Vision insurance has no fiscal impact to the city since this benefit is an employee paid benefit; however, the renewal estimate is \$49,059.36

**City Paid Third-Party Administration Fees**

Coverage Type	PEPM	AVG/EST Enrolled	Annual Cost
Medical	\$10.26	390	\$48,016.80
Dental	\$4.15	425	\$21,165.00
Vision	*	341	\$49,059.36
<b>TOTAL</b>			<b>\$118,241.16</b>
<b>*Voluntary benefit vision rates \$7.56 individual /\$16.24 family</b>			

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