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**City Council Regular Meeting**

**DEPARTMENT:** Human Resources

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


**MEETING:** December 15, 2025

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**SUBJECT:**

Consider and take possible action on a minute order authorizing an expenditure of \$124,445.16 on a contract renewal with United Healthcare (UHC) (CSO #5321-12-2023) for third party administration of the medical and dental plans and the fully-insured vision plan for 2026. (*Staff Contact: Wanda Bullard, Deputy Director of Human Resources*).

**STRATEGIC PRIORITY AND GOAL(S):**

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

**SUMMARY:**

The City offers full-time employees and eligible retirees medical, dental, and vision insurance plans. UnitedHealthcare (UHC) serves as the third-party administrator (TPA) for the self-funded medical and dental plans and as the carrier for the fully insured vision plan. As the TPA, UHC completes 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 also uses the UHC Naviguard program to help reduce out-of-network claims expenses. Naviguard utilizes analytics and strategies to expedite claim reprocessing and ensure fair billing practices reducing out of network expenses to the City and employees.

For 2026, UHC's per employee per month (PEPM) TPA fees and premiums are at a slight reduction.

Coverage	Plan Year 2025 PEPM	Plan Year 2026 PEPM	Difference
Medical*	\$10.26	\$10.12	\$(0.14)
Dental	\$4.15	\$4.15	\$0.00
Vision	\$7.56 Employee \$16.24 Family	\$7.56 Employee \$16.24 Family	\$0.00

\*Includes Naviguard

Annual costs are based on actual employee enrollment, which varies throughout the plan year. In 2026, UHC TPA fees are projected at an annual cost of \$20,713.80 for medical and \$21,563.40 for dental. In addition, the UHC Naviguard program is projected at an annual cost of \$27,255.00. Naviguard is estimated to save \$64,266 in claims cost.

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 agreement for \$54,912.96, 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.

UHC's renewal 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.

In accordance with Texas Local Government Code Chapter 252, the agreement 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 2026 will be the final year as part of the renewal options. RFP 2021-017 – Health and Welfare Benefits Request was advertised on May 11, 2021, and May 18, 2021, and posted to the City's electronic bidding platform, Bonfire, from May 11, 2021, through June 10, 2021. The opportunity was distributed to qualified firms under applicable commodity codes. The number of insurance coverage proposals the City received were 4 for medical, 3 for pharmacy, 13 for dental, and 16 for vision. Based on the published evaluation criteria – including qualifications, experience, and overall value – and interviews conducted with finalists, United Healthcare scored the highest by the evaluators and was determined to provide the best value to the City.

**RECOMMENDATION:**

Staff recommends to approve a minute order authorizing an expenditure of \$124,445.16 on a contract renewal with United Healthcare (UHC) (CSO #5321-12-2023) for third party administration of the medical and dental plans and the fully-insured vision plan for 2026.

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

City Council Regular Session on June 16, 2025

Finance Committee on August 6, 2025

City Council Special Session on August 11, 2025

**REFERENCE:**

N/A

**FISCAL IMPACT:**

Proposed Expenditure/Revenue: \$124,445.16

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 \$69,532.20 for plan year 2026. Vision insurance has no fiscal impact to the city since this benefit is an employee paid benefit; however, the renewal estimate is \$54,912.96.

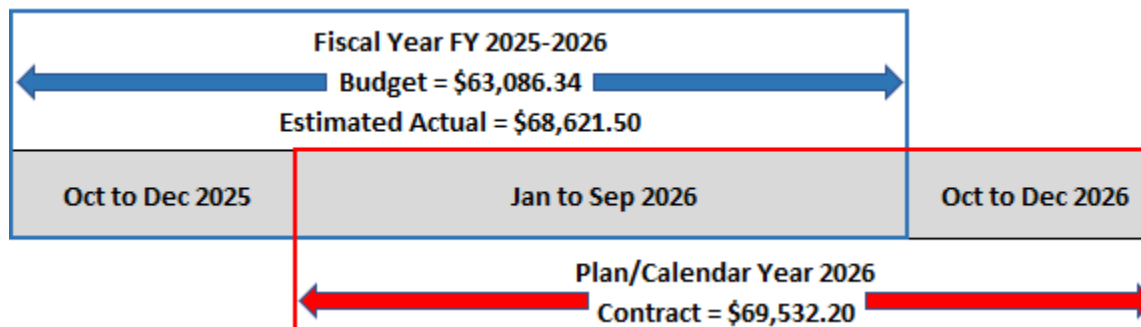
**Third-Party Administration Fees and Vision Fully Insured Premiums**

Coverage Type	Current Actual Enrollment	* Total Estimated Enrollment for Plan Year 2026	Cost PEPM	Plan Year 2026 Annual Cost
Medical - TPA	373	395	\$10.12	\$47,968.80
Dental - TPA	411	433	\$4.15	\$21,563.40
Vision – Fully Insured	340	362	\$7.56 Emp / 16.24 Family	\$54,912.96
<b>TOTAL</b>				<b>\$124,445.16</b>

\* Includes adding 22 enrollments to account for the 7 new FY 2026 positions and filling 15 vacancies.

The proposed expenditure for just the City impacted cost of \$69,532.20 for medical and dental TPA fees is based on a 12-month calendar year (Jan-Dec 2026) estimated at the new rates at the higher enrollment numbers. When reviewing the 2026 plan year renewal against fiscal year 2026, the City will be slightly over budget for FY 2026 for the coverages that impact City costs (medical and dental TPA fees). The rates for October to December 2025 are higher than the new rates that begin January through September 2026. In addition, the enrollment numbers are

lower for October to December 2025 versus the estimated plan year 2026 enrollment. The City budgeted \$63,086.34 for the fiscal year with an estimated spend of \$68,621.50.



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