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**City Council Regular Meeting**

**DEPARTMENT:** Human Resources

**FROM:** Cheryl Marthiljohni, Director of Human Resources

**MEETING:** September 9, 2024

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**SUBJECT:**

Receive a report, hold a discussion, and give staff direction, on updates to the city's health fund, including changes to the city's benefit plans for 2025. (*Staff Contact: Cheryl Marthiljohni, Director of Human Resources*)

**SUMMARY:**

The city's healthcare fund is established to pay for claims submitted throughout the year for employee related healthcare costs. The fund receives revenues from employee premium contributions and through city contributions, which subsidize annual insurance plan cost for employees. The city's healthcare benefit is self-insured, meaning that the healthcare fund remits payments for costs beyond those covered by employees, based on their elected healthcare plan, co-payment schedules, and maximum out of pocket thresholds.

Healthcare expenses exceeded revenues in FY22-23 and are anticipated to do so in FY23-24. During the development of the FY23-24 budget, city management committed to releasing request for proposals (RFP) to evaluate the city's self-insured structure in relation to a fully insured insurance plan. Staff contracted with McGriff Insurance Services to release the RFP and assist with evaluating proposals. Based on the analysis of the responses, staff recommends remaining with the self-funded plan model, with the inclusion of various plan changes which will reduce annual expenditures. However, McGriff Insurance Services anticipates healthcare costs to continue to escalate at a rate of approximately 9% annually, and staff anticipates a continued mixture in future years of plan design changes and employee premium increases will be necessary to control costs and to ensure continued adequate reserve funding is available.

**RECOMMENDATION:**

Staff recommends maintaining the health plan as a self-funded plan and making changes to the benefit plans for 2025 that will better control costs.

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

Reviewed with Finance Committee on May 8, 2024, and August 7, 2024 and with the City Council on June 17, 2024, and August 12, 2024.

**REFERENCE:**

Not Applicable

**FISCAL IMPACT:**

Included in the overall budget for fiscal year 2024-2025 as presented.

**STAFF CONTACT:**

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