

COBURG CITY COUNCIL ACTION/ISSUE ITEM



TOPIC: Resolution 2022-05, A Resolution Authorizing the Adoption of a Health Reimbursement Arrangement (HRA) Plan

Meeting Date: February 8, 2022
Staff Contact: Tim Gaines, Finance Director
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CITY COUNCIL GOAL(S)

2021-22 City Council Goals:

- Fiscal Stewardship
-

REQUESTED COUNCIL ACTION

Approve Resolution 2022-05 authorizing the adoption of a Health Reimbursement Arrangement (HRA) plan.

Suggested Motion for Resolution:

"I move to approve Resolution 2022-05, A Resolution Authorizing the Adoption of a Health Reimbursement Arrangement (HRA) Plan."

BACKGROUND

The City provides \$50 per month or \$600 annually into a Health Reimbursement account for employees working 20 hours or more. These funds may be spent according to the policies of the carrier but are meant for reimbursements for small items such as co-pay, prescriptions, immunizations, and approved medical expenses.

Currently this benefit is provided to the City by Pacificsource. Multiple employees have reported problems using the service. The employees are provided a debit card to use to make payments to medical institutions. The cards do not always work as they are supposed to. The City has also struggled getting Pacificsource to respond in a timely manner to our customer service requests. There have been multiple times that we would not get a response at all.

Staff would like to switch services to a HRA Veba account that is provided by a company called Gallagher. This particular account offers benefits that the current provider does not. The funds are what they call "portable". This means is that if an employee was to retire or leave the company for any reason, the balance of funds that the employee has earned over their period

of employment goes with the employee. For long-term employees that might retire at some point, this benefit will help with post-retirement health care. The benefit will no longer be funded by the City after retirement, but whatever balance is in the employee's account will be available to them until the funds they have earned over the period of their career are exhausted.

Currently the City funds any charges made by employees on a month to month basis. The amount of the payment would depend on how much the pool of employees used their cards in a given month. The City pays a monthly fee of \$99 a month currently and is charged each year around January 1st a \$350 service charge by Pacificsource. The annual cost of Pacificsource administering the program is over \$1,500. The City currently has a liability on our books of over \$10,000.

If the City was to switch to the HRA Veba plan with Gallagher, there are no fees to the City, so we will save \$1,500 a year going forward. We would have to fund the account on a month to month basis. That amount would be the same as it currently is. The City would continue to provide \$50 per month for employees working 20 hours or more. Each employee in the plan currently has a balance on the current HRA plan. That balance would be transferred to the new plan. There will be a one-time cost to fund those balances.

RECOMMENDATION AND ALTERNATIVES

1. City Council may approve the resolution authorizing the adoption of a Health Reimbursement Arrangement (HRA) plan.
2. City Council may not approve the resolution authorizing the adoption of a Health Reimbursement Arrangement (HRA) plan and instruct staff to continue with the current plan.

BUDGET / FINANCIAL IMPACT

Currently, the HRA plan we have is not funded. The City pays as the employees use the benefit. In order to transfer the current employee balances, the HRA Veba accounts would need to be funded by the City. The current cost to fund this is approximately \$11,945.43. This would also result in removing the current liability on the City's financial statement. We would also be saving over \$1,500 in fees annually.

PUBLIC INVOLVEMENT

No public involvement was included as part of this item.

NEXT STEPS

If adopted, Staff will begin the process of replacing the HRA plan with Pacificsource to the HRA Veba plan offered by Gallagher.

ATTACHMENTS

A. Resolution 2022-05

REVIEWED THROUGH:

Anne Heath, City Administrator