

**SUBMITTED BY:** Rocio Garcia-Pedroza, HR Manager

**MANAGEMENT TEAM REVIEW:** Ana Urquijo, City Manager

**FOCUS AREA:** Other / NA

**ORGANIZATIONAL  
IMPROVEMENTS:**

**SUBJECT: EMPLOYEE HEALTH INSURANCE CONTRACTS.**

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**EXECUTIVE SUMMARY:**

The City of Douglas is self-funded for health insurance. Our current contracts expire June 30, 2024, and we need to set new contracts in place. After due diligence, it is the recommendation of our insurance brokers and staff to switch providers for all our current contracts and make modifications to our current medical plans.

**BACKGROUND:**

GBS of Arizona, the city's health insurance broker/consultant, has worked in the last few months to market the city's various employee insurance plans. The performance of the self-insurance fund remains strong and allows rates to remain almost flat for the new fiscal year.

The costs associated with a self-funded insurance include charges for third party administration for claims, PPO network, utilization management, pharmacy benefit management, and stop loss insurance. We will establish contracts with new providers for these: MotivHealth (third party claims administrator, utilization management, pharmacy benefit management and stop loss insurance), and Blue Cross Blue Shield (PPO network).

Our stop loss insurance will remain with a \$75,000 deductible, meaning that the city is responsible for paying up to \$75,000 for any claims for each life covered on the insurance. Any claims beyond \$75,000 for one individual are paid by the stop loss insurance.

This year, we are removing the direct contract agreements with hospitals/doctors; an analysis by the brokers has determined these are providing similar discounts as a regular network. As a result, the current plan that has a deductible that can vary from \$750 to \$5,000 for an individual will be changed to a \$2,000 deductible.

Our current \$1,000 deductible plan will be changed to a \$500 deductible plan to offer a richer plan for employees at almost the same cost.

Our current high-deductible health plan (HDHP) combined with a health savings account (HSA) will remain. As we have done in the last two years, we are recommending for the city to use the difference in premium from our base plan to this plan to fund the employee HSA accounts in a monthly basis. The amounts are included below.

One component we are changing this year for all three plans is that we are adding two coverage options, a) employee and children and b) employee and spouse, in addition to the current employee only and employee and family options.

**DISCUSSION:**

Below are the city's monthly contributions and employee portion premiums being recommended for each plan and coverage.

Monthly City Current Contribution	Monthly City Proposed Contribution
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Monthly Current Employee Contribution	Monthly Proposed Employee Contribution
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**\$5,000/\$750 deductible plan (Plan A) - will become \$2,000 deductible plan (Plan A)**

Emp Only	\$634.56	\$650.00 (\$15.44 increase)
Employee & Children	n/a	\$1,050.00
Employee & Spouse	n/a	\$1,050.00
Family	\$1,046.60	\$1,050.00 (\$3.40 increase)

\$0	\$0
n/a	\$405.00 new option
n/a	\$435.00 new option
\$488.10	\$485.00 (\$3.10 decrease)

**\$1,000 deductible Plan (Plan B) - will become \$500 deductible plan (Plan B)**

Emp Only	\$634.56	\$650.00 (\$15.44 increase)
Employee & Children	n/a	\$1,050.00
Employee & Spouse	n/a	\$1,050.00
Family	\$1,046.60	\$1,050.00 (\$3.40 increase)

\$118.70	\$100.00 (\$18.70 decrease)
n/a	\$670.00 new option
n/a	\$700.00 new option
\$770.42	\$750.00 (\$20.42 decrease)

**\$2,000 deductible / 20% co-insurance Plan – HDHP & HSA (Plan C)**

Emp Only	\$634.56 (\$542.15 for premium \$92.42 for HSA)	\$650.00 (\$15.44 increase) (\$557.58 for premium \$92.42 for HSA)
Employee & Children	n/a	\$1050.00 (\$864.60 for premium \$185.40 for HSA)
Employee & Spouse	n/a	\$1050.00 (\$864.60 for premium \$185.40 for HSA)
Family	\$1046.60 (\$861.20 for premium \$185.40 for HSA)	\$1050.00 (\$3.40 increase) (\$859.60 for premium \$185.40 for HSA)

\$0	\$0
n/a	\$325.00 new option
n/a	\$355.00 new option
\$450.00	\$425.00 (\$25.00 decrease)

**FISCAL IMPACT:**

\$21,941 to cover the slight increase in the city's monthly contribution per employee. This is being included in the FY 25/26 budget.

**“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE CONTRACTS WITH MOTIVHEALTH, BLUE CROSS BLUE SHIELD, SUNLIFE AND NBS; AND SET THE CITY'S MONTHLY CONTRIBUTIONS FOR EMPLOYEE ONLY TO \$650.00 AND \$1,050 FOR THE OTHER LEVELS OF COVERAGE; AND TO ACCEPT ALL OTHER VOLUNTARY AND CUSTOMARY BENEFITS, AS SUBMITTED.”**