



ACTION ITEM REPORT

Item Title: Consideration and ACTION to approve health insurance renewal rates for employees.

Recommendation:

The City's current health insurance plan is with Blue Cross Blue Shield (BCBS), with which we have been insured for approximately one year. The current monthly premium is **\$746.06 per employee**. The renewal rate with the same carrier and existing plan would increase to **\$1,074.96 per employee per month**, representing a **44.1%** increase and an estimated additional annual cost of **\$228,914.40** to the City. Given the significant financial impact, I do not recommend renewing the existing plan at this rate.

To identify more affordable alternatives while minimizing the impact on employees, we evaluated several options through BCBS, Curative, UnitedHealthcare, and Aetna. The plans reviewed included different deductible and coinsurance structures to determine whether the City could reduce its costs without significantly compromising employee coverage.

The two most favorable alternatives are:

- **Option 1 with BCBS:** \$886.69 per employee per month.
- **Option 1 with UnitedHealthcare:** \$882.67 per employee per month.

Under the UnitedHealthcare option, the estimated additional annual cost to the City would be **\$95,080.56**, compared with \$228,914.40 if we renewed the existing BCBS plan without changes. This represents a reduction of \$133,833.84 in the projected annual budget increase compared with that renewal scenario.

While the recommended option offers significant savings, it does involve some changes to employee cost-sharing. The annual deductible would increase from \$1,250 to \$1,500, and the out-of-pocket maximums would change from \$3,750/\$11,250 to \$5,500/\$11,000 for the applicable coverage tiers. These changes should be clearly communicated to employees, so they understand the potential financial impact when accessing healthcare services.

We also reviewed Health Savings Account (HSA) plans and Curative options. Although these alternatives offer lower premiums, they could result in greater financial exposure or other disadvantages for employees. For that reason, I believe Option 1 with UnitedHealthcare provides a more balanced approach to controlling the City's costs while maintaining a competitive level of employee coverage.

Based on our financial review, I have confirmed that the estimated \$95,080.56 annual increase is manageable within the City's budget. The City could also evaluate establishing a fixed employer contribution toward premiums to help manage future costs, provided the contribution structure is carefully evaluated for its impact on employees and overall affordability.

Additionally, the City plans to offer **Frontier Direct Care as an optional supplemental benefit through payroll deduction**. Employees who elect to participate would pay the applicable membership fee of \$70 per member. This would give employees another healthcare access option without requiring the City to absorb the full membership cost.

Recommendation

I recommend approval of **Option 1 with UnitedHealthcare at \$882.67 per employee per month**. This option provides a more financially sustainable alternative to the current plan's renewal rate while limiting changes to employee coverage and cost-sharing compared with the lower-premium alternatives reviewed. It also allows the City to manage its budget responsibly while continuing to invest in employee benefits.