



MEMORANDUM

Meeting Details: September 17, 2026

Prepared For: Hon. Mayor Brooks & Board of Commissioners

Staff Contact: Mike Helfrich, City Manager

Subject: Consideration of Opt-Out Insurance Option

Good evening, Mayor and Commissioners.

I would like to present an idea for your consideration regarding our employee health insurance benefits.

Each year, our budget provides funding for health insurance for all full-time employees. Currently, we budget approximately \$1,040 per month, per full-time employee, for this benefit. However, there are times when an employee already has health insurance coverage through another source, such as a spouse or another family member, and therefore chooses not to participate in the City's health insurance plan.

In those situations, the City has budgeted those funds, but the employee does not receive any comparable benefit in return. This creates an inequality of sorts between employees who participate in our health insurance plan and those who have other coverage.

My proposal is that we consider establishing a conditional opt-out or cash-in-lieu eligible arrangement for full-time employees who choose to voluntarily decline participation in the City's health insurance plan because they have other qualifying health coverage. Amount yet to be determined.

For example, we could consider providing a stipend of \$250 to \$300 per month to eligible employees who opt out of the City's health insurance. The employee could then use those additional funds to help with their individual healthcare expenses, such as copays, deductibles, prescriptions, or other medical-related costs, but not health insurance premiums which isn't allowed.

Our current budget allocation of \$1,040 per month for health insurance provides us with room to consider a stipend without necessarily increasing the City's overall budgeted benefit amount. The exact stipend amount would, of course, be something for the Commission to determine based on what it feels is fair and appropriate.

There would also need to be reasonable eligibility requirements. For example, employees choosing to opt out would need to provide documentation demonstrating that they have other qualifying health coverage, including re-attesting annually. We would also want to have our HR staff, benefits provider, and City Attorney review the program to ensure that it complies with all applicable federal and state requirements, including tax, health insurance, and benefit-plan rules.



I believe this proposal could provide several benefits. It would recognize employees who choose not to utilize the City's health insurance plan, provide them with some additional assistance toward their healthcare expenses, and potentially result in savings to the City when the cost of the stipend is less than the City's cost of providing health insurance coverage.

Most importantly, I believe it would help us create a more equitable benefits structure for our full-time employees. It could also improve employee morale by allowing employees to receive value from a benefit that they otherwise cannot or do not choose to use.

I am not asking the Commission to approve a specific amount tonight. I am simply asking that you consider the concept and, if you believe it has merit, direct staff to research the legal, financial, and administrative requirements and return with a recommendation for an appropriate opt-out stipend.

- This would be an eligible out-out arrangement per IRS guidelines.
- This would be a post-tax cash payment contingent on voluntarily waiving the City's health insurance coverage and providing proof of other qualifying coverage.
- The City's existing coverage meets the Minimum Essential Coverage (MES) as defined by the ACA requirements.

This item is presented for informational purposes and Commission discussion.

