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MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR
SUBJECT: 2025 HEALTH INSURANCE
DATE: JUNE 28, 2025

With the 2025 Budget season underway, looking at health insurance for 2025 is part of that conversation. At the moment, we are part of the Sourcewell pool. As you may remember, I informed you that SCALE is looking at potentially creating a pool of Scott County communities to allow those communities to take advantage of an insurance pool for their employees.

Recently, Gallagher, who is performing the study for SCALE, shared with Robin Pikal and myself the perceived advantages of joining the SCALE pool, which would be pool stability, the ability to have more decision making power in a smaller pool, and Gallagher's estimation that we may save a small amount of money. After hearing the presentation, our initial interpretation was that the savings would be minimal and that being in a smaller pool would potentially open the City to more liability.

Jenny Van Denise, from Gallagher will be present to help answer some questions for health insurance. I have attached a slide from Ms. Van Denise with information. The big question to the Council will be whether the City wants to keep our options open for the SCALE pool or the open market for 2025. The reason we have the decision is that we would need to inform Sourcewell by August 1st whether we may be leaving if we want to avoid penalties. And if we give that notice, the 15% max cap that is currently in place would be lifted, allowing Sourcewell to re-bid the City. For early 2024 data, the claims have been very high, which means it is quite possible that bids from SCALE, Sourcewell, or others, may be much higher than the 15% max increase that is currently in place for 2025 if we stay with Sourcewell.

This is not a conversation about what our plans for 2025 will look like or the exact cost of our plans. It is possible if we change our plan within Sourcewell, that the 15% increase would decrease. The conversation for Monday is a higher level discussion about who we will work with for our health insurance in 2024 using the limited high level data we have available prior to a required Sourcewell deadline.

Recommendation

It is staff's recommendation that we continue with Sourcewell for 2025 based on claims incurred in 2024 that would like drive our rates much higher on the open market.