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## MEMORANDUM

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**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** JOSHUA TETZLAFF, CITY ADMINISTRATOR  
**SUBJECT:** 2025 HEALTH/DENTAL INSURANCE  
**DATE:** SEPTEMBER 11, 2024

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### *Health Insurance*

At the second budget meeting on September 3<sup>rd</sup>, one of the topics we discussed as a group was health insurance for City employees in 2025. During that discussion, it was shared that if the City were to maintain the existing plan into 2025, insurance rates would rise by 14.9%. We also discussed that there were other options that the City would have for possible plans.

The plan that I recommended at the time was the Smart Plan SHSA3Aware plan, presented as Option #3. This plan was similar to the existing plan in make-up, with the differences being that it raised the deductible/out-of-pocket max from \$2,250/\$4,500 to \$3,300/\$6,600 and makes the deductibles embedded, compared to the aggregate plan that the City uses now. Making this move would potentially save the general fund \$51,581 and all funds \$85,147, assuming that the same number of employees elect the same coverage they had in 2024.

Benchmarks from surrounding communities show that setting the out-of-pockets at the \$3,300/\$6,600 levels would bring the City's plans close to average. When comparing the amounts that City's pay towards premiums, the City of New Prague employees do tend to pay more towards their own insurance than surrounding communities' employees. At this time, a recommendation is not being made on the percentage of contribution.

### *HSA Contributions*

We also discussed HSA contributions. With this potential savings should the City switch health insurance plans, there is an opportunity for the City to examine the HSA contributions for the City employees, especially as an opportunity to offset the increased deductibles should the City switch plans. At the meeting, it was presented that increasing the HSA contributions from \$500/\$1,000 to \$1,000/\$2,000 would result in a spending increase to the general fund of \$29,642 and all funds of \$50,517 over existing contributions. It was also presented that increasing HSA contributions to \$1,250/\$2,500 would increase spending by \$44,463 and \$75,775, respectively. When coupled with the savings from switching health insurance plans, the City would have lower expenditures compared to the existing health insurance plan and HSA contribution.

Benchmarks from surrounding communities show that HSA Contributions by the City to employees accounts is below surrounding communities, sometime significantly. When reviewing this benchmarks, the potential savings gained by the City for switching plans, and to help offset rising health care costs of employees by switching plans, I am now recommending increase HSA contributions to employee accounts to the \$1,250/\$2,500 level. This would bring levels closer to surrounding communities, though it would still be on the low end.

Making these two moves would bring the City's offerings closer to surrounding communities, while still providing a savings to the City.

#### *Dental Insurance*

We also discussed dental insurance and I shared the proposals from Delta Dental, MetLife, Guardian, and Health Partners. The big question that I didn't have an answer to was what coverage looked like for Met Life, Guardian, and Health Partners in comparison to Delta Dental. I now have those answers.

There may be dentists that employees go to outside of the City, but we do not have that information of exactly which dentist any employee may go to. The information we do have is the dentists that work with the insurance providers. While we could get into the weeds on dentists outside of New Prague, judging the insurance providers based on how they deal with New Prague dentists seems to me to be the most important criteria. For the sake of review, I am considering how each provider does with the five dental businesses in New Prague.

- Delta Dental: Yes, all five dental businesses accept Delta Dental in-network, either through their PPO network or their Premier network, both of which are included in their proposal.
- Health Partners: Yes, all five dental businesses accept Health Partners in-network, though at a Level 2 network in their proposal.
- MetLife: According to their own directory, MetLife is only accepted at New Prague Dental, South Suburban Oral Surgery, and Vayda Orthodontics.
- Guardian: According to their own directory, Guardian is only accepted at New Prague Dental, South Suburban Oral Surgery, and Vayda Orthodontics.

When looking at networks, I would recommend narrowing the choices down to Delta Dental and Health Partners due to they being the ones who currently offer coverage at all five dental businesses. Looking at benefits, the benefits are very similar between the two. Health Partner's plan offers a higher annual maximum coverage and a lower yearly deductible. Couple that Health Partners now offering a 12.6% decrease, locked in for two years (compared to Delta Dentals 8% increase), and I would recommend moving dental insurance over to Health Partners. It estimated that this move would save about \$12,852 annually on dental insurance premiums.

#### *Effect on Budget*

These three moves, offering the Smart Plan SHSA3 Aware, increasing the HSA Contribution, and changing dental insurance to Health Partners, would lower the estimated levy by \$19,970, or .42%.

#### **Recommendation**

I recommend that the City Council move forward with Smart Plan SHSA3 Aware for employees in 2025, as well as set HSA Contributions at \$1,250 for Single Plans and \$2,500 for Family Plans. I would also recommend the City switch dental insurance providers to Health Partners.