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## MEMORANDUM

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**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** JOSHUA TETZLAFF, CITY ADMINISTRATOR  
**SUBJECT:** SCALE INSURANCE POOL  
**DATE:** APRIL 30, 2026

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On April 21st, Finance Director Pikal and I met with representatives from Gallagher and SCALE to review the feasibility of the SCALE Insurance Pool. Our findings and considerations are the following:

**SourceWell:**

- Established a 2027 rate cap of 19%. With a perfect score on their performance report card, this rate cap could be reduced up to two points, which would be a 17% cap.
  - Continued participation in exploring the SCALE Insurance Pool would give SourceWell the ability to revoke this rate cap and instead apply a fully calculated renewal rate.
- Provides second-year rate caps, offering protection against significant increases following high-claim years.
- Operates under an established and predictable funding structure with demonstrated performance, administrative structure, and claims history.

**SCALE:**

- Current Estimates indicate a potential 5.7% increase for 2027.
  - Estimate does not include fertility benefits (which our current plan includes), this would require an additional rate load which is currently unknown.
  - Current estimates are based on preliminary pool assumptions and not finalized underwriting.
  - Preliminary conversations have been around very flexible plans and providers, though that has not yet been decided
- Would require a 5-year commitment from all members after joining.
- SCALE does not require prefunding of reserves; however, employers participating in pool must provide the first three months of premiums by December 2026.
- Would not be much value in putting out an RFP for benefits provider, as the City would be locked into a pool for at least five years.

After evaluating both options, I recommend the City formally withdraw from consideration of the SCALE pool for 2027. This does not close the option for SCALE in the future. It would just mean that the City is not at the decision table when the bylaws are created. It would also allow the City to review the market of benefit providers to determine the best course of action for its future.

While SCALE presents potential short-term cost savings, the current stability, known benefits, and risk protections offered through SourceWell outweigh the uncertainty and potential long-term exposure associated with transitioning to a new pool at this time.

**Recommendation:**

Staff recommends removing New Prague from consideration for the SCALE Insurance Pool for 2027.