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## MEMORANDUM

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**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** JOSHUA TETZLAFF, CITY ADMINISTRATOR  
ROBIN PIKAL, FINANCE DIRECTOR  
**SUBJECT:** HEALTH INSURANCE OPTIONS 2024  
**DATE:** OCTOBER 18, 2023

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### **October 2023 Update:**

At the last budget meeting, it was requested by the Council that staff check on a few changes to the health insurance options to see what the cost savings may be. Some of the requested changes were an increase to the maximum out-of-pocket coverage for families from \$4,500 to \$5,200; decreasing the size of the in-network coverage; and removing out-of-network coverage. Gallagher reached out to Sourcewell/Health Partners to get some information for us.

When looking at removing out-of-network coverage, so little out-of-network coverage is used by the employees that it would not have affected our coverage cost to remove. For decreasing the size of the in-network coverage, the only healthcare location that would move the needle would be removing Mayo from the network, which would decrease the premiums by about 2%. As for increasing the out-of-pocket maximums from \$4,500 to \$5,200, this would realize a savings in premiums of about \$8 per person for single coverage and \$30 per person for family coverage. In total, this would equate to \$13,123 in health insurance savings over a renewal of the current plan. The City would realize 80% of that, or \$10,499. The General Fund, or tax levy, would realize a savings of about \$5,984.

When looking at this, I think it is important to remember that our health insurance costs continue to remain lower than they were in 2022, even with the renewal. In 2023, the City realized a health insurance savings of 11.08%, or \$104,340. The City realized \$83,472 of the savings. So even with the potential increase of 6.25% in 2024 as a renewal, the City is still saving money on its premiums.

### Recommendation

With the relatively small savings to the City seen by the change in the health insurance plan, my recommendation continues to be to renew the existing plan for 2024.

### **Original Memo:**

As requested last year, Robin and I had our insurance agent, Gallagher, get us a variety of quotes on health insurance coverages. On January 1, 2024, the City will be in its second year of a two-year contract with Sourcewell as our insurance pool. By being in a pool such as Sourcewell, the City is able to protect itself against fluctuations it may otherwise incur during years of high or low insurance usage. Through Sourcewell, the City has access to Health Partners as our insurance provider. While we will be in the second year of our two year agreement, the City does have access to different Health Partners plans. Below is a brief summary of

our current plan, the renewal of our current plan, as well as some plans similar to ours for consideration. We have also included an attachment that shows a comparison of the plans in more detail.

As we discussed at the previous meeting, renewing our current plan would mean a 6.25% increase in cost over 2023. The plan has a \$2,250 out of pocket max for singles and \$4,500 out of pocket max for families.

The options on the attached sheet are as follows, with changes from the existing plan noted:

Renewal (6.25% increase)

- Single - \$2,250 out of pocket max
- Family - \$4,500 out of pocket max

Option 1 (8.97% increase)

- Single - \$1,600 out of pocket max
- Family - \$3,200 out of pocket max
- Higher out of network costs

Option 2 (0.17% decrease)

- Single - \$1,600 deductible, \$3,600 out of pocket max (20% co-insurance payment after deductible)
- Family - \$3,200 deductible, \$7,200 out of pocket max (20% co-insurance payment after deductible)
- Higher out of networks costs

Option 3 (0.51% increase)

- Single - \$3,200 out of pocket max
- Family - \$6,400 out of pocket max
- Embedded costs
- Higher out of network costs

Option 4 (6.09% decrease)

- Single - \$3,200 deductible, \$6,400 out of pocket max (20% co-insurance payment after deductible)
- Family - \$6,400 deductible, \$10,400 out of pocket max (20% co-insurance payment after deductible)
- Embedded costs
- Higher out of networks costs

When looking at these plans, it becomes obvious that there are cheaper options the City could offer employees to save money. In this instance, \$54,585 could be saved by selecting Option 4 (note: City portion is 80% or \$43,668 of savings). Is this something that City should do? I do not believe so. When I looked at these options, and considered the City's compensation package as a whole, I believe the City should renew with our current plan through Health Partners.

When I consider health benefits, I see them as just one piece of the overall compensation package the City uses to try to retain the talent we have, as well as attract top talent when we do have an opening. In today's world of low unemployment and the ability for employees to easily move, many employees now consider the entire range of benefits they may receive, whether it is health insurance, HSA contributions, vacation/sick leave, retirement contributions, life & disability insurance, or wellness membership, in addition to their wages. As employees become more scarce, cities have had to get creative in their offerings to retain talent that could easily move. Study after study has shown that it is much cheaper for an organization to keep employees than it is to hire new employees.

One of the things we have heard from new employees is that a primary driver for choosing New Prague is our health insurance. It is a good plan. And with health care becoming an increasingly higher cost for

everyone, good health insurance is becoming more and more important. Is our current plan the best plan we could get? No. But it is something almost every new employee has mentioned when they are hired. Decreasing the current plan means that we as a city potentially lose an advantage that we carry over other cities in why people should work for us. While thousands of dollars in savings is not something to scoff at, I believe the relatively small cost of savings realized by switching plans would not justify the potential exodus we may see if employees decide to look elsewhere due to decreased health insurance benefits.

Original Recommendation

I recommend renewing the City's current health insurance option for employees, at a 6.25% increase over 2023.