

City of Sedgwick
City Council Meeting
October 21, 2026

TO: Mayor and Members of City Council

SUBJECT: Insurance Renewal

INITIATED BY: Administration

AGENDA: New Business

Background: Insurance renewal rates are provided after the statutory requirement deadlines of municipal budgets. As such, city staff try to forecast the increases based on historical data which can prove difficult in times with high turnover and additional departments added throughout the budget cycle.

This year the city received notification that if we wanted to stay at a level funded plan, we would see an increase of 83% to the premium. We have elected to not proceed with that option and are presenting an option from an age-based plan that closely matches the current deductible amounts for our employees.

The current plan deductible amounts are \$5,000/\$10,000 with a maximum out-of-pocket of \$6,350/\$12,700. The city offers an HRA that covers the entire amount of out-of-pocket expenditure for employees.

The proposed plan is an age-based plan with deductible amounts that are \$5,300/\$10,600 with a maximum out-of-pocket of \$5,300/\$10,600.

Moving forward with the proposed plan at the same percentage breakout by employer/employee of 85/15 would result in all employees taking a loss annually after their 5% wage rate increase. The largest loss being \$2,089.43. 7/15 employees would see an annual loss of between \$1,100 - \$1,560.

For 2027, it is recommended that we move the employer/employee percentage to 92/8 to mitigate employee losses. It is also recommended that we reduce our HRA coverage from \$5,000/\$10,000 to \$4,000/\$8,000. In doing this, we would retain the HRA first payout function, but the employees would have a maximum payment of \$1,300/\$2,600 should they exhaust their HRA benefits.

Analysis: Staff met with KMIT to see if we could join their pool and obtain a better rate and were told that due to our risk score, we would not be able to join. Furthermore, the KMIT rates were higher than the age-based rate presented by Blue Cross & Blue Shield.

Staff reached out to IMA Group and held a meeting where we were told due to the number of eligible employees for benefits (21) we would be stuck in the high-deductible state mandated plans for providers and that a broker would not be able to negotiate the terms or renewal percentages on our behalf. The magic number for seeing a benefit from a broker is 50 employees.

Staff tried to meet with 360 Health Benefits, but they didn't return our attempts to establish a meeting.

Financial Consideration: The 2027 budget considered an 8% increase for health benefits. Moving forward with the proposed plan and HRA alterations would be a 63% increase for the city (\$96,454). The mitigation of cost to avoid a budget amendment would be to absorb the cash reserve (\$38,721) and pay the HRA benefits from the special sales tax proceeds contractual budget. This would decrease our ability to perform street maintenance at a larger capacity but still allow for crack sealing and asphalt patch repairs to be completed. We have spoken with the auditor and confirmed that this would be an acceptable utilization of funds.

If approved, the largest annual employee loss comes to \$347.38.

This would be a one-time stop gap for 2027 and would be reevaluated for 2028.

Recommendation: It is recommended that the City Council approve the insurance renewal plan MT211 with a decrease in HRA benefit coverage to \$4,000/\$8,000.