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**To:** Mayor Nelson and Members of the City Council

**From:** Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

**Date:** June 10, 2020

**Subject:** 2020-21 Health Insurance Renewal

Staff is seeking direction from the City Council on the 2020-21 Health Insurance Renewal.

As you are aware, health insurance is an issue that was brought up during union negotiations this year. The City has an opportunity to switch coverage that could result in a savings for both the City and the employees.

The City currently has its health insurance plans through Health Partners. The current plan design is as follows:

Single: \$3,600 deductible/100% non-embedded HSA plan  
Family: \$3,850/\$7,700 deductible/100% embedded HSA plan

Due to Federal ACA requirements, the deductible will be increasing to \$3,900 for the single plan and \$4,100/\$8,200 for the family plan. Due to language recently negotiated with our three bargaining units, the City splits the increase in deductible and premium on a 50/50 basis with the employees. As such, the City contributes \$3,000/yr to the employee's HSA and between \$550-\$625/year (depending on the selected plan) to an HRA for employees to access. In addition to the deductible, the premium is increasing by 3.6%.

Our insurance broker, AT Group, has identified a plan with Preferred One that would reduce the rate of increase for 2020/21 to 1% and reduce the deductible to \$3,000 individual/\$6,000 family. The provider network is essentially the same. In addition, the plan also has a "Super Tier Connect" that should an employee utilize a more limited network of providers, the deductible would drop to \$1,400 per individual/\$2,800 per family.

We are anticipating this plan change will save the City approximately \$9,500 in premium savings over the plan year and reduce the City's HRA exposure by \$16,500. Employees will see their deductible be reduced by \$900-1,100 (depending on plan). Those with family coverage will also see their premiums held flat, rather than increase by 3.6%.

Because there is no reduction in aggregate value due to this change, the City can make this change without re-opening the contract with the three bargaining units. If the City Council agrees with this change, we will inform the union stewards of the change and hold an employee meeting on the new plan (similar to what we do on an annual basis at the time of renewal).

Information on the current plan and the proposed plan is included with this memorandum. If you have any questions, please don't hesitate to contact me at 763-784-6491.