THE CITY OF
WATERTOWN

Finance Department
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To: Finance Committee
From: Mark Stevens
Date: August 26, 2024
RE: 2025 Health Insurance Quote

Attached is a slide deck of the staff presentation made last week to any interested employees. Included is a listing of the insurance carriers that were contacted by our agent. Dean Healthcare offered the better pricing than Quartz, so the slide contents only relayed information about Dean. There are two slides included to show the premium differences for those on various carriers for family and single plans. Employees currently insured by Dean (approximately 45% of group) will have their portion of the shared premiums cut in half ($539.98/mo down to $261.63/mo). Employees currently insured by Mercy (approximately 45% of group) will experience an increase of $49.85 more than what the 2025 Mercy rate would be ($211.78/mo vs. $261.63/mo). The remaining 10% of our insureds are on a mix of other plans with some that will see a greater cost and some a lesser cost.

A key hesitation in a possible departure from ETF is a future interest in reapplying for coverage with ETF. The State intentionally has a barrier of re-entry in place by assigning costly surcharges for re-entry in a second or third year after departure. Even following the third year, groups greater than 50 units are subject to underwriting and may still be assessed smaller surcharge amounts. It was because of this that I requested the agent secure not-to-exceed pricing for the second and third years. I've calculated a comparison (attached) of the estimated increases that ETF announced in its annual insurance board meeting and the max not-to-exceed increases that Dean is quoting. The Dean HMO premiums at their maximum possible increase will still fare better than the lowest anticipated increases for the ETF (exception: 2027 Mercy), and admittedly, the recent ETF trends have been double digit increases. There are no controls on cost increases with ETF.

We were provided a list this week of 26 retirees from WI ETF that have continued to pay for coverage apart from the City, either through pension withdrawals or direct payment. Nine are less than 65, paying the same premium rates as we are charged, and 17 are Medicare eligible, paying lesser premium amounts, depending on Medicare enrollment levels. If we depart from WI ETF, these individuals will no longer be able to continue on the WI ETF plans. We are required to provide no less than 60 days of advance notice of this change.

The budget creation is upon us. My staff plans to deliver payroll budget expectations to department heads tomorrow for the completion and submission of budgets by the September 3 deadline. To provide an estimated amount, we've incorporated a wage raise of 4% with the use of the Dean HMO assumption in the numbers to be distributed. But this can be altered with a different direction from the Finance Committee if the decision is to maintain health coverage through WI ETF.

I have projected a probable savings within the 2024 health insurance budgets (vacancies or waivers of coverage for some new employees). The General Fund affords 74.5% of the group health costs. If we are to stay on WI ETF, we will need to increase the current General Fund insurance budget by $173K. This is equal to the cost of a 3% raise to employees. The planned 4% increase would need to be reduced to 1%.

There's obviously a human element of required change of service providers that can't be accounted for through dollar signs. The Dean HMO has the least disruption for our overall insured group, and Dean would work through its care management staff to aid employees through transition.