

To: Finance Committee  
From: Mark Stevens  
Date: June 10, 2024  
RE: 2025 Health Insurance Premiums Outlook

The WI Insurance Board made good on its commitment to determine and announce what the rate increase will be for its ETF group health insurance program earlier in the year. Unfortunately, following the 2024 increase of over 14%, the rate for 2025 is 11.2%.

Watertown has historically been paying 90% of the lowest "Tier 1" insurance provider in Jefferson County. There will no longer be any Tier 1 provider assigned in the County, so we are now assigned to what is called the State Maintenance Plan (SMP), a higher premium plan. If we were to continue to pay 90% of this higher plan at the increased 11.2%, our current health insurance premiums of \$2,793,000 would have to increase an additional \$1,719,580, a 61% increase.

At the minimum, the City will need to change its customary 90/10 cost sharing split to a different formula. In researching the parameters of the WI ETF guidelines, participating municipalities are allowed to pay within the range of 50% to 88%. We have been paying 90%, more than the program allows. The mayor requested that we work to limit the increase in the employee portion. I have an approach that would equate to an average increase of 6.5% for 90% of our group (those using MercyCare or Dean) and a 7.9% average including all plans. This method replaces the shared employer/employee 90/10 split with a fixed dollar amount that eliminates a tie to a stated percentage that is different if the County has a Tier 1 rate or SMP rate. My initial calculation is an increased cost to the City of \$334,000.

The back-to-back double-digit increases in the State plan are also prompting us to seek pricing from the traditional marketplace as well. The Watertown community has always been a difficult region for insurance companies that center care around either Dane or Milwaukee/Waukesha counties. Fortunately, the earlier announcement by the State will afford us the opportunity to consider alternatives. Changing a health plan can be disruptive, yet we are participating in a plan that, from my past plan administration experiences, lacks cost containment methods used to curb sizable increases. After wages, our health plan is our second largest expense and needs careful consideration as we enter the 2025 budget cycle.