



City of Killeen

Legislation Text

File #: RS-23-104, Version: 1

Consider a memorandum/resolution renewing Group Employee Medical and Pharmaceutical Benefits with United Healthcare and employee dental insurance with MetLife, effective October 1, 2023.

DATE: June 20, 2023

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: AGREEMENT WITH UNITED HEALTHCARE FOR GROUP MEDICAL AND RX BENEFITS AND MELIFE FOR DENTAL INSURANCE

BACKGROUND AND FINDINGS:

The City of Killeen offers medical and dental insurance as part of its employee benefits package. Currently, approximately 944 employees select the City's medical insurance plans. In addition, we have 1,185 employees who elect the City's dental insurance plans.

All benefits provided to the City of Killeen employees are reviewed annually to ensure that both the City and employees are receiving the best product for the best price. The City currently pays 100% of the medical premiums for the employee only on the lowest plan option. Employees may purchase additional medical coverage for eligible family members or dependents at their added expense. The City's current medical carrier is United Healthcare (UHC), and the City offers two medical plans: An Exclusive Provider Organization (EPO) Plan, traditionally known as a Copay plan, and a High Deductible Health Plan (HDHP), with a health savings component. Due to anticipated huge increases based on claims performance, the City requested renewal quotes from UHC in order to determine its vulnerability in the market, and to determine if renewing with UHC would be more advantageous than going out for bid in a rapidly changing environment.

In partnership with the City's Employee Benefits Consultant, Lockton Dunning, a benchmark study was completed to determine how changes in the plan design and contributions would impact costs for both the City and the employees. The annual expense for FY 2023 healthcare is projected at \$6,767,160. If we include the IRS-mandated HDHP deductible and have employees enrolled in the EPO Plan contribute an additional \$5.00 per month to the plan, the expense for FY 2024 is estimated at \$7,219,143.

The City's current dental carrier MetLife and offers employees two dental plans. Approximately 1,185 employees elect the City's dental insurance plan, and the City pays 100% of the dental premium for employee-only coverage on the lowest plan option. Employees may purchase additional dental care coverage for eligible family members or dependents at their added expense. In FY 2022, MetLife committed to a two (2) year rate guarantee with an increase cap of 5% if we choose to renew in the third year. The annual expense for FY 2024 Dental will be \$30,000, a 5% increase in comparison to the cost for FY 2023.

Plan Changes and Cost

In FY 2024 we will include the IRS-mandated HDHP deductible and will increase the employee contributions for employees enrolled in the EPO Plan by \$5.00 per month. With the proposed changes to the plan, the estimated cost will increase by \$451,983.

FY 2023 cost: \$6,767,160

FY 2024 cost: \$7,219,143

After a thorough analysis, staff recommends that we include the IRS-mandated HDHP deductible and have employees enrolled in the EPO Plan contribute an additional \$5.00 per month to the plan for FY 2024 as staff feels this will provide the most effective, least disruptive, and most competitive medical and pharmaceutical package for the City and employees.

Dental

The annual expense for FY 2024 Dental will be \$305,584, a \$30,000 increase in cost for FY 2024.

THE ALTERNATIVES CONSIDERED:

1. To not have employees who are enrolled in the EPO Plan contribute an additional \$5.00 per month to the plan; and to not increase the Dental Plan by 5%, at no cost to the employee, for an increased cost of \$30,000.
2. To make the IRS-mandated HDHP deductible and have employees enrolled in the EPO Plan contribute an additional \$5.00 per month to the plan; and increase the Dental Plan by 5%, at no cost to the employee, for an increased cost of \$30,000.

Which alternative is recommended? Why?

To approve to make the IRS-mandated HDHP deductible and have employees enrolled in the EPO Plan contribute an additional \$5.00 per month to the plan, for an estimated cost increase of \$451,983; and increase for the Dental Plan by 5%, at no cost to the employee, for an increased cost of \$30,000, effective October 1, 2023, because it is the most cost-effective plan and has the least employee disruption to care, pharmacy, and dental.

CONFORMITY TO CITY POLICY:

Yes.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The medical insurance plan proposed reflects a total estimated cost increase of \$451,983 in the City based on the average of 944 full-time employees per month who are eligible to participate in medical insurance. To include an additional increase of \$30,000 for Dental care, is a total increase of \$481,983. The new contract will be effective October 1, 2023.

Costs for healthcare are included in the City's FY 2024 Proposed Budget, which will be delivered to the City

Council in July 2023.

- Current healthcare cost: \$6,767,160
- Proposed healthcare cost: \$7,219,143

Is this a one-time or recurring expenditure?

This is an annually recurring expenditure.

Is this expenditure budgeted?

Yes, funds will be included within each department/division's personnel service accounts in the FY 2024 Proposed Budget, upon approval by City Council.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes, upon approval of the FY 2024 Proposed Budget.

RECOMMENDATION:

Staff recommends the City Council to approve making the IRS-mandated HDHP deductible change and have employees on EPO Plan contribute an additional \$5.00 to the plan for FY 2024; and increase for the Dental Plan by 5%, at no cost to the employee, and authorize the City Manager or designee to execute agreements with United Healthcare and MetLife effective October 1, 2023, and that the City Manager or designee is further authorized to execute any necessary change orders in accordance with state and local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS: