HEALTH INSURANCE RENEWAL

ITEM # 2

NOVEMBER 16, 2026

ADMINISTRATION

Presented by:
Buddy Kuhn
City Manager

SUMMARY

- Proposal to adopt health benefits plans for City employees & eligible spouses & dependents for 2027
  - Renew dental, life, AD&D, LTD & vision insurance coverage
  - Renew Next Level Prime
  - Transition medical coverage to a self-insured plan design through ParetoHealth
- Proposal to amend FY 2027 General Fund Budget to increase spending for health benefits
  - Amended budget may include funds to offset anticipated increases for non-employee coverage (spouses, dependents & family)

RECOMMENDATION FOR EMPLOYER PAID COVERAGE

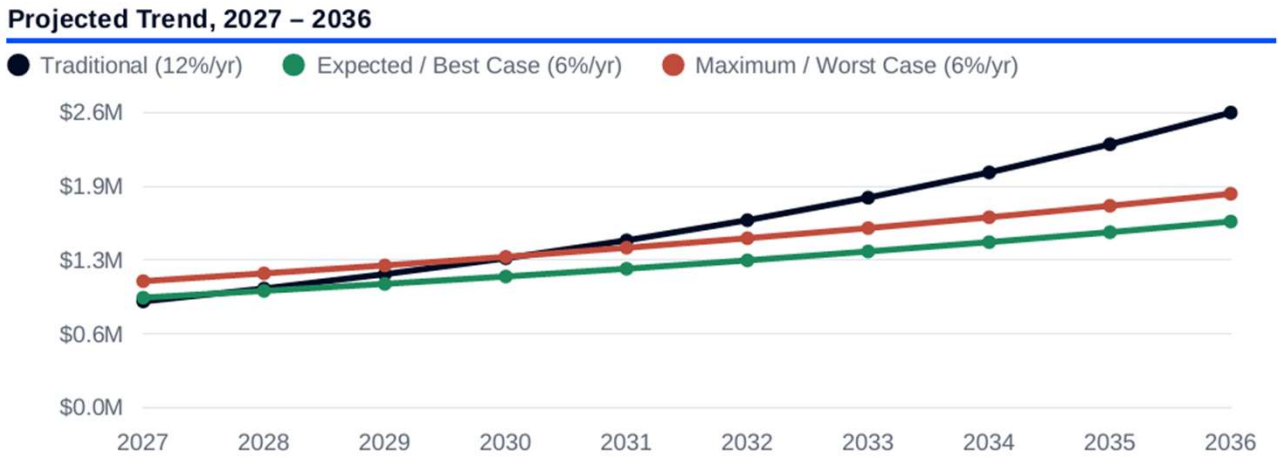
- Medical:
  - BlueCross BlueShield is proposing a 22.1% increase for the HSA base plan
    - City budgeted 25% - 2.9% under budgeted amount
  - Proposal to reject BlueCross BlueShield offer & transition to self-insured funded plan administered through ParetoHealth – Increase of 45.3% -
    - City budgeted 25% - 20.3% over budgeted amount
- Dental: 9% increase Mutual of Omaha or $6,142.92 annually
- Next Level Prime – 6% or $3,203 annually
- Basic life and AD&D – No increase with Mutual of Omaha
- LTD – 13.04% increase or $1,850.05 annually
- No increase for vision with MetLife-Davis

TRANSITION TO SELF-INSURED

- Pareto plan design to remain same as BCBS, with exception of:
  - New provider – Aetna
    - Possible that current doctors under BCBS are not covered by Aetna
  - Individual & family deductible $3,000 / $6,000

COST PROJECTIONS BY DESIGN TYPE

- Projected cost of City's traditional, fully-insured plans projected to rise at least 12% annually over next 10 years
- Self-insured plans with Pareto project lower growth rate annually, 6%/yr, even when budgeting for maximum, worst case claims results
  - Updated growth rates from November 9th presentation



SELF-INSURED COST SCENARIOS

- Worst case (**conservative budgeting**)
  - Cheaper annual cost in Year 5 (2031) & positive cumulative savings projected in Year 7 (2033)
  - Cumulative savings in Years 1-5 – **($329,000)** & over Years 1-10 - **$1.7M**
  - **If directed to transition to self-insured w/ Pareto, staff recommends conservative approach**

		Fully-Funded	Self-Insured		
			Worst-Case Projection (Conservative Budgeting)		
Year	Calendar Year	Traditional (12%/yr)	Maximum (6%/yr)	Annual Saving	Cumulative Savings
1	2027	923,558	1,099,215	(175,657)	(175,657)
2	2028	1,034,386	1,165,168	(130,782)	(306,439)
3	2029	1,158,512	1,235,078	(76,566)	(383,005)
4	2030	1,297,533	1,309,183	(11,650)	(394,655)
5	2031	1,453,237	1,387,734	65,503	(329,152)
6	2032	1,627,626	1,470,995	156,631	(172,521)
7	**2033**	**1,822,941**	**1,559,258**	**263,683**	**91,162**
8	2034	2,041,694	1,652,813	388,881	480,043
9	2035	2,286,697	1,751,982	534,715	1,014,759
10	2036	2,561,101	1,857,101	704,000	1,718,759
Total Years 1-5		**5,867,226**	**6,196,378**	**(329,152)**	
Total Years 1-10		***16,207,286***	***14,488,527***	***1,718,759***	

FISCAL CONSIDERATIONS

- First-year cost increase moving to self-insured – 45.3%
- Impacts to ~22 employees with dependents – 45.3%, or $53,336
- Options to minimize EE increase

			Pareto Proposed 2027			
					Options: EE Increase w/ City Offsets	
2027 PROPOSED	Enrolled	Annual Current EE Cost (BCBS)	Annual EE Cost	Annual EE Increase	City Covers 75% of Increase	City Covers 90% of Increase
Employee Only	74	$0	$0	$0	$0	$0
Employee + Spouse	3	$7,433	$10,800	$3,368	$842	$337
Employee + Child(ren)	16	$3,964	$5,760	$1,796	$449	$180
Employee + Family	3	$10,664	$15,497	$4,833	$1,208	$483
Estimated Annual Premium	*96*	$737,058	$1,071,090	$334,032		
City Coverage of Premium		*$619,338*	*$900,035*	*$280,696*	$42,415	$48,966
Employee Coverage of Premium		*$117,719*	*$171,055*	*$53,336*	$10,921	$4,370
Revised City Coverage w/ Increase Offsets					*$942,450*	*$949,001*
% Employee Coverage of Premium		*16.0%*	*16.0%*	*16.0%*	*12.0%*	*11.4%*
% Employee Coverage Increase				*45.3%*	*9.3%*	*3.7%*

EMPLOYEE COST IMPACTS (ONLY APPLIES TO EMPLOYEES W/ DEPENDENT/SPOUSE COVERAGE)

Option A: City Covers 75% Increase

- 2027 Annual Rates
  - EE+Children - $4,413
  - EE+Spouse - $8,275
  - EE+Family - $11,872
- City pays 75% of premium increase - $42,415 & EEs with D/S pay 25% - $10,921
- % EE share of total premium – 12.0% ($128,640)
- EE cost increase – 9.3%
  - $449 > $842 > $1,208 (annual)

Option B: City Covers 90% Increase

- 2027 Annual Rates
  - EE+Children - $4,144
  - EE+Spouse - $7,769
  - EE+Family - $11,147
- City pays 90% of premium increase - $48,966 & EEs with D/S pay 10% - $4,370
- % EE share of total premium – 11.4% ($122,089)
- EE cost increase – 3.7%
  - $180 > $337 > $483 (annual)

FY27 3.5% COLA value per Salary (pre-tax)
$50K - $1,750 > $70K - $2,450 > $90K - $3,150

POLICY ANALYSIS

- Consistent with the City's efforts to provide quality but affordable insurance benefits to its employees and relieve the impact of the increased dependent coverage costs to those employees

COORDINATION

- Reviewed by HUB
- Councilmember Jacobson
- Councilmember Jessee
- Mayor Honigblum
- City Manager
- City Attorney

FISCAL IMPACT

- Total fiscal impact is approximately $1,100,809 for medical coverage, including employer portion of $929,855
  - City Incremental Cost - $310,516, which is $155,682 or 20.3% above budget
  - Budget Amendment needed for incremental cost, plus any increase for dependents
- Other Options
  - Increase for dependents – Optional
    - City covers 75% of increase - $42,415
    - City covers 90% of increase - $48,966

FISCAL IMPACT

- Dental: 9% increase Mutual of Omaha or $6,142.92 annually
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FYE BUDGET AMENDMENT FOR FYE 2027 ADOPTED BUDGET

ITEM # 3

NOVEMBER 16, 2026

ADMINISTRATION AND FINANCE

Presented by:
Buddy Kuhn
City Manger

BUDGET AMENDMENT REQUESTS GENERAL FUND

- City staff proposes to utilize a total of $577,662 from the General Fund Balance.
  - $264,532 is for the seed money needed to help with any claim costs over the premium coverage (total combined with UF is $305,000)
  - $313,130 is the additional amount need to cover the premiums compared to what will be left in the current budget by January 1, 2027

PROPOSED AMENDED BUDGETED GENERAL FINANCIAL BALANCES:

General Fund FY 2027	
Est. Beg. FB	$ 9,171,341
Total Budgeted Revenues	15,776,592
Total Budgeted Appropriations	15,891,491
Less: Operating Reserves (35%)	5,089,746
Est. Available Balance	$ 3,966,696
Less: Proposed Appropration Amendment	(577,662)
New Est. Available Balance	$ 3,389,034

BUDGET AMENDMENT REQUESTS UTILITY FUND

- City staff proposes to utilize a total of $88,372 from the Utility Fund Balance.
  - $40,468 is for the seed money needed to help with any claim costs over the premium coverage (total combined with GF is $305,000)
  - $47,904 is the additional amount need to cover the premiums compared to what will be left in the current budget by January 1, 2027

PROPOSED AMENDED BUDGETED UTILITY FINANCIAL BALANCES:

Utility Fund FY 2027	
Est. Beg. FB	$ 4,289,627
Total Budgeted Revenues	5,018,192
Total Budgeted Appropriations	6,548,237
Less: Operating Reserves (25%)	177,547
Est. Available Balance	$ 2,582,035
Less: Proposed Appropriation Amendment	(88,372)
New Est. Available Balance	$ 2,493,663

- Budgeting wise it is netting a zero balance at the end of FY 2027
- As these are budgeted numbers we could end the year in a positive depending on what kind of claims clear at FYE

CONT'D BUDGET AMENDMENT REQUESTS OTHER FUNDS

- Along with the GF and UF amendment City Staff is recommending the creation of a new fund to account for the City's Health Insurance along with the other benefits that the City provides to employees.
- With the selection of going self insured the City must create an Internal Service fund that operates like an enterprise fund except the majority of revenues usually come from the General and Utility fund.

PROPOSED AMENDED BUDGETED NEW HEALTH INSURANCE FUND FINANCIAL BALANCES:

Health Insurance Fund FY 2027	
Est. Beg. FB	$ -
Total Revenues	-
Total Appropriations	-
Est. Available Balance	$ -
Plus: Proposed Revenue Amendment	1,668,741
Less: Proposed Appropriation Amendment	(1,668,741)
New Est. Available Balance	$ -

POLICY ANALYSIS

- The budget amendment is in line with sound financial management practices to commit funds when possible
- Budget amendments are required when adding new funds that involve interfund transfers
- Budget amendments between funds require Council approval
- Reviewed by the City Attorney and City Manager

COUNCIL ACTION

- Adopt an ordinance to amend the Fiscal Year 2027 adopted budget to allocate for the presented funds and the creation of a new fund.
- Council will be approving the creation of the presented new fund and the adjustments to the General and Utility Fund.