



LEGISLATIVE MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Suzanne Sherman, City Manager

THRU: Larry Wojciechowski, Finance Director

DATE: April 18, 2024

RE: FY 2024 Health Insurance Premium Adjustments – Recalculation of 2023 Actual City-Required Contributions Resulting in 2024 Rate Adjustments & Increased Costs

SUMMARY:

In preparation for the FY 2025 health insurance premium calculations, a routine review of the FY 2024 currently adopted rates noted a discrepancy in the city-required monthly contribution portion of the data provided by the Human Resources Department in March 2023.

The 2023 city-required monthly contribution portion was, in error, listed as the total premium, which after deducting the employee-required contribution, reduced the amount the city is responsible for paying. Please refer to *Table One (1): 2023 Rates Comparison* within the attachment for supporting details. A total city-required monthly contribution deficit, among all plans, of \$3,115 is noted.

2024 monthly rate comparisons, as listed in attached *Table Two (2): 2024 Rates Comparison*, are based on an average 5.0% increase to 2023 rates. A total city-required monthly contribution deficit for 2024, among all plans, of \$2,744 is noted.

FY 2024 Annual Adjustment Details

Annually, the City budgets a set cost per health insurance plan to cover A.S.O. Fees and Insurance Claims within the Health Insurance Benefits Fund (511). The cost, per plan, is calculated based on the previously outlined monthly city-required contribution data (rate times 12 months) plus a fixed annual “per FTE” rate that covers other personnel service and operating costs not covered by the A.S.O. Fees and Insurance Claims calculation. For FY 2024, the “per FTE” rate is set to \$568 per person. Please refer to *Table Three (3): Rate Calculation Example* within the attachment for details.

Total costs for each plan, based on actual enrollments at the time of budget preparations, are charged to each respective Fund and transferred to the Health Insurance Benefits Fund (511) monthly to cover all expenditures.

Table Four (4): Plan Comparisons within the attachment lists all plans including total annual costs of the FY 2024 Adopted rates, the FY 2024 Adjusted rates, and the variances (or deficit) between the two data sets.

FY 2024 Cost Details

Cost adjustments are based on FY 2024 payroll projections utilized for FY 2024 Adopted Budget preparations. While personnel control changes have been processed since these projections were completed, the data sets for comparisons should remain constant to minimize additional discrepancies. FY 2024 payroll projections reflected a total health insurance enrollment count of 805 FTEs among all plans.

Due to the discrepancies outlined in the previous section and the variances in total annual city contributions costs noted, an incoming transfer to the Health Insurance Benefits Fund (511) of \$1,639,807 is needed to cover the potential future deficit. Unanticipated revenue of \$321,905, including performance guarantee payouts and Cigna Rx Rebates, have been taken into consideration to reduce the needed incoming transfer to \$1,317,902. Based on FTE enrollment, position control coding, and the associated percentages of the total variances in each fund, *Table Five (5): Cost Adjustment Details* within the attachment reflects the needed transfers to be completed to the Health Insurance Benefits Fund (511) in FY 2024.

REQUESTING DEPARTMENTS:

Finance

FISCAL IMPACT:

FY 2024 health insurance premium adjustments and associated 2023 actual city-required contribution recalculations have determined an existing discrepancy with a potential future deficit within the Health Insurance Benefits Fund (511) totaling \$1,639,807. Utilizing unanticipated revenue of \$321,905, including performance guarantee payouts and Cigna Rx Rebates, to offset this deficit, a total incoming transfer of \$1,317,902 from the following funds (undesignated fund balances) will need to be completed on the next scheduled Budget Amendment: General Fund (001) \$963,699; SHIP Fund (111) \$4,373; CDBG Fund (112) \$2,000; HOME Fund (114) \$1,001; CDBG-CV3 Fund (126) \$2,999; Utilities Operating Fund (421) \$195,165; Building Fund (451) \$63,911; Stormwater Utility Fund (461) \$43,164; Health Insurance Fund (511) \$2,158; Risk Management Fund (512) \$14,885; Other Employee Benefits Fund (513) \$2,158; and Fleet

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Services Fund (521) \$22,389.

STAFF RECOMMENDATION:

Motion to approve the transfer of funds to the Health Insurance Benefits Fund (511), due to FY 2024 health insurance premium adjustments, as outlined above.

ATTACHMENTS:

1. FY 2024 Health Ins Adjustments-Data Comparison Tables-04.08.2024