

**City of Palmer
Action Memorandum No. 20-013**

Subject: Authorizing the City Manager to Enter into a Two-Year Agreement to Purchase Healthcare Insurance Coverage with Premera through the City's Healthcare Insurance Broker, USI Insurance Services


Agenda of: February 11, 2020

Council Action: **Approved** **Amended: By CM, Provided Updated Estimated Annual Savings**
 Defeated




Originator Information:

Originator: City Manager

Department Review:

Route to:	Department Director:	Signature:	Date:
	Community Development		
√	Finance		01/21/2020
	Fire		
	Police		
	Public Works		

Approved for Presentation By:

	Signature:	Remarks:
City Manager		
City Attorney		
City Clerk		

Certification of Funds:


Total amount of funds listed in this legislation: \$ **1,764,008.12**

This legislation (√):

<input type="checkbox"/>	Creates revenue in the amount of:	\$ _____
<input checked="" type="checkbox"/>	Creates expenditure in the amount of:	\$ <u>1,764,008.12</u>
<input type="checkbox"/>	Creates a saving in the amount of:	\$ _____
<input type="checkbox"/>	Has no fiscal impact	

Funds are (√):

<input checked="" type="checkbox"/>	Budgeted	Line item(s): <u>Various lines</u>
<input type="checkbox"/>	Not budgeted	_____

Director of Finance Signature: 

Attachment(s):

- USI Consulting's Premera rate quote

Summary Statement/Background:

The City's Healthcare Insurance Broker, USI presented the attached rate quote to the administration for the 2020 and 2021 City's Healthcare requirements beginning April 1, 2020.

If the City enters into a two year agreement with Premera, the City will receive a one month "payment holiday" (approximately 8% discount) each year. The City will also have a locked premium increase to no more than 9% annually in the contract year 2021. The exact amount for 2021 is not available at this time as it is based on the annual quote.

Current healthcare cost with Alaska Public Utility Insurance Trust for 2020 is estimated at \$2,129,687 with no increase cap for 2021.

Estimated cost with Premera for 2020 is \$1,764,008 with a capped increase for 2021 at 9%. The cost includes an additional City funded Healthcare Reimbursement Account (HRA) of \$2,000 per employee that can be used to offset deductibles, prescriptions, vision and dental costs. The unused balance of the HRA remains with the City at year end to be used in future years.

The end result is an estimated annual savings of ~~\$365,679~~ **\$205,563.00** to the City with what is anticipated to be an improved healthcare benefit for the employees.

The City will also inform the Alaska Public Utility Insurance Trust of its withdrawal from the trust and termination of healthcare with Meritain if this action is approved.

Administration's Recommendation:

To approve Action Memorandum No. 20-013 Authorizing the City Manager to Enter into a Two Year Agreement to Purchase Healthcare Insurance Coverage with Premera through the City's Healthcare Insurance Broker, USI