



# MEMORANDUM

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## **Resolution 24-049, A Resolution of the City Council of Homer Alaska Approving One Year Contracts with Moda Health, VSP and Prudential with a Renewal Date of July 1, 2024.**

**City Manager/HR Director**

**Item Type:** Backup Memorandum  
**Prepared For:** Mayor Castner and Homer City Council  
**Date:** May 3, 2024  
**From:** Andrea Browning, HR Director  
**Through:** Melissa Jacobsen, Interim City Manager

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The City of Homer's employee benefit plans are due to renew on July 1, 2024.

Below is a summary of the upcoming renewal:

- The City's renewal position was weaker than last year, based on overall usage and group activity (high claims).
- The renewal rates in the packet provided by USI show rates based on current enrollment.
- Our enrollment numbers fluctuate throughout the year. On average, our enrollment has decreased by seven (7) employees in the past year. This is due to attrition, and a general shift in a fewer number of new-hires enrolling in healthcare, due to having separate coverage through the military, alternate spousal coverage, etc.
- VSP and Prudential provided a rate pass (no increase, as we have a rate guarantee through 7/1/2025).
- The initial renewal bid from Premera was \$2,392,454. This is a 27.5% increase over last year for medical, and a 26.2% overall increase for all benefits (Medical, Dental, Vision, Life Insurance) \*based on current enrollment.
- USI conducted a targeted market review, and solicited bids for healthcare from multiple carriers. Two came in competitively; Moda and United Health.
- Moda returned the lowest bid, which is \$1,770,412 (United Health was \$1,972,794)
- The City worked with our USI broker and his team to leverage the Moda bid, asking Premera for their lowest/ best bid to keep the City as a group, which they offered at \$2,146,014
- Moda is still the most competitive bid, lower than Premera by \$375,602
- If the City shifts to Moda for FY25, there is an estimated overall healthcare decrease of 22.7% from FY25 budget.

\*\*\*To better illustrate the decrease in enrollment numbers - last year's enrollment numbers vs. current:

The July 1, 2023 renewal rates are reflective of 79 total employees on the plan

- 26 Employee Only
- 14 Employee + Spouse
- 15 Employee + Child(ren)
- 24 Employee + Family

The July 1, 2024 renewal rates are reflective of 72 total employees on the plan

- 27 Employee Only
- 12 Employee + Spouse
- 20 Employee + Child(ren)
- 13 Employee + Family

Current Enrollment 72 employees	Premiera/ Current Enrollment	July 1, 2024 (Moda offer)	Difference \$	Increase/ Decrease %
	FY24 \$1,895,915	\$1,770,412	\$125,503	6.6% Decrease
	July 2024 (Moda offer)	1, 44 current employees opting out: \$800/month incentive	Total Estimated FY25 w/ Moda	Total FY25 Budget Difference between FY25 Budget and estimated FY25 w/ Moda
Budget	FY25 \$1,770,412	\$422,400	\$2,192,812	\$2,690,994 (\$498,182) 22.7% decrease

\*The City currently has 44 employees who opt-out of healthcare coverage, and receive the \$800/month healthcare allowance. The result of offering this incentive, in the past year alone, has meant 11 employees that were enrolled as Employee + Family tier the previous year are no longer on the City's plan. For every employee who takes the allowance instead of enrolling their family, the city saves over \$29,000 per year in premiums.