

CITY OF HOMER  
HOMER, ALASKA

City Manager/  
HR Director

RESOLUTION 24-049(A)

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.

WHEREAS, Premera Blue Cross extended an initial renewal offer of a 27.5% medical plan increase for employee healthcare coverage for the 2024-25 plan year; and

WHEREAS, USI conducted a targeted market review and solicited bids for healthcare from multiple carriers; and

WHEREAS, Competitive bids were received from Moda Health and United Healthcare; and

WHEREAS, Contracting with Moda Health, effective July 1, 2024 provides a significantly lower rate, resulting in an overall estimated healthcare decrease of 22.7% under FY2025 budget; and

WHEREAS, The City already has a rate lock with VSP for vision and Prudential for Life Insurance, which provide the best rates for those benefits; and

WHEREAS, The Employee Committee reviewed the benefit coverage and cost projections for the July 1, 2024 renewal, and supports this recommendation; and


**WHEREAS, Information was presented to City Council for consideration of a richer pharmacy plan through Moda Health so employee benefits do not decrease; and**

**WHEREAS, This would cost an additional \$21,500 on the presented medical plan.**

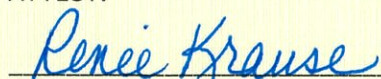
NOW, THEREFORE, BE IT RESOLVED that the Homer City Council hereby approves new one-year contracts based upon the proposals with terms beginning on July 1, 2024, and authorizes the City Manager to execute the appropriate documents.

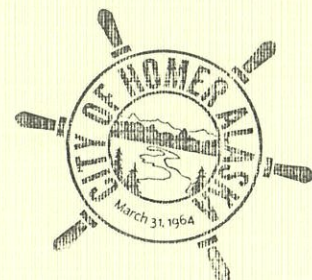
PASSED AND ADOPTED by the Homer City Council this 13<sup>th</sup> day of May, 2024.

CITY OF HOMER

  
KEN CASTNER, MAYOR

ATTEST:

  
RENEE KRAUSE, MMC, ACTING CITY CLERK





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48 Fiscal Note: ~~\$2,192,812~~ **\$2,214,312** annual cost of employee health care and life insurance.

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# 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 Premiera 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 Premiera 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 Premiera 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<br>72 employees | Premiera/<br>Current<br>Enrollment | July 1, 2024<br>(Moda offer) | Difference<br>\$ | Increase/<br>Decrease<br>% |
|------------------------------------|------------------------------------|------------------------------|------------------|----------------------------|
|                                    | FY24<br>\$1,895,915                | \$1,770,412                  | \$125,503        | 6.6%<br>Decrease           |

| Budget | July 2024<br>(Moda offer) | 1, 44<br>employees<br>opting out:<br>\$800/month<br>incentive | current<br>Total<br>Estimated<br>FY25<br>w/ Moda | Total<br>FY25 Budget | Difference<br>between<br>FY25 Budget and<br>estimated<br>FY25 w/ Moda |
|--------|---------------------------|---|--|----------------------|---|
|        | FY25<br>\$1,770,412       | \$422,400   | \$2,192,812                                      | \$2,690,994          | (\$498,182)<br>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.





City of Homer  
Cost Summary  
July 1, 2024 Renewal Date

| Carriers                       |                             | Current     | Renewal                     | Negotiated Renewal          |  | Option 1                    |  |
|--------------------------------|-----------------------------|-------------|-----------------------------|-----------------------------|--|-----------------------------|--|
| Medical                        | Premera BCBS of AK (Direct) |             | Premera BCBS of AK (Direct) | Premera BCBS of AK (Direct) |  | Moda                        |  |
| Dental                         | Premera BCBS of AK (Direct) |             | Premera BCBS of AK (Direct) | Premera BCBS of AK (Direct) |  | Moda                        |  |
| Vision                         | VSP                         |             | VSP                         | VSP                         |  | VSP                         |  |
| Life, Accident, and Disability | Prudential                  |             | Prudential                  | Prudential                  |  | Prudential                  |  |
| FSA Administration             | Premera BCBS of AK (Direct) |             | Premera BCBS of AK (Direct) | Premera BCBS of AK (Direct) |  | Premera BCBS of AK (Direct) |  |
| Total Annual Cost              |                             | % Change    |                             | % Change                    |  | % Change                    |  |
| Medical                        |                             | \$1,786,422 | \$2,277,68927.5%            | \$2,036,52014.0%            |  | \$1,814,8411.6%             |  |
| 1-Month Premium Holiday        | N/A                         |             | N/A                         | N/A                         |  | -\$151,237                  |  |
| Bundling Discount (1%)         | N/A                         |             | N/A                         | N/A                         |  | -\$18,148                   |  |
| Dental                         |                             | \$87,795    | \$93,0666.0%                | \$87,7950.0%                |  | \$102,08816.3%              |  |
| Vision                         |                             | \$12,083    | \$12,0830.0%                | \$12,0830.0%                |  | \$12,0830.0%                |  |
| Life/AD&D                      |                             | \$9,615     | \$9,6150.0%                 | \$9,6150.0%                 |  | \$9,6150.0%                 |  |
| FSA Administration             | Included w/ Medical         |             | Included w/ Medical         | Included w/ Medical         |  | \$1,170                     |  |
| Annual Total                   |                             | \$1,895,915 | \$2,392,454                 | \$2,146,014                 |  | \$1,770,412                 |  |
| Change from Current            |                             |             | \$496,539                   | \$250,099                   |  | -\$125,503                  |  |
| Percentage Change              |                             |             | 26.2%                       | 13.2%                       |  | -6.6%                       |  |

Notes

- 1. Voluntary lines of coverage are omitted from total annual cost as these coverages are fully employee paid.
- 2. Moda's proposal comes with a 2nd-year Medical rate cap of 12%.



City of Homer  
Medical Plan

Benefit Outline and Cost Summary  
July 1, 2024 Renewal Date

| Benefit Outline                         |    | Current                     | Renewal                     | Negotiated Renewal          | Option 1  |
|---|----|-----------------------------|-----------------------------|-----------------------------|---|
| Carrier                                 |    | Premera BCBS of AK (Direct) | Premera BCBS of AK (Direct) | Premera BCBS of AK (Direct) | Moda  |
| Plan Type, Network                      |    | PPO, Preferred Choice Plus  | PPO, Preferred Choice Plus  | PPO, Preferred Choice Plus  | PPO, Endeavor Select                                    |
| Deductible (Ind / Fam)                  |    | \$1,000 / \$2,000           | \$1,000 / \$2,000           | \$1,000 / \$2,000           | \$1,000 / \$2,000                                       |
| Non-Network Deductible (Ind / Fam)      |    | \$2,000 / \$4,000           | \$2,000 / \$4,000           | \$2,000 / \$4,000           | \$2,000 / \$4,000                                       |
| Deductible Embedded / Non-Embedded      |    | Embedded                    | Embedded                    | Embedded                    | Embedded  |
| Out-of-Pocket Maximum (Ind / Fam)       |    | \$4,500 / \$9,000           | \$4,500 / \$9,000           | \$4,500 / \$9,000           | \$4,500 / \$9,000                                       |
| Non-Network OOP Max (Ind / Fam)         |    | \$45,000 / \$90,000         | \$45,000 / \$90,000         | \$45,000 / \$90,000         | \$45,000 / \$90,000                                     |
| Prescription OOP Max (Ind / Fam)        |    | Included w/ Medical         | Included w/ Medical         | Included w/ Medical         | Included w/ Medical                                     |
| Coinsurance (Pref. / Par. / OON)        |    | *80% / 60% / 40%            | *80% / 60% / 40%            | *80% / 60% / 40%            | 80% / 50%   |
| Wellness / Preventive Care              |    | 100% (dw)                   | 100% (dw)                   | 100% (dw)                   | 100% (dw)   |
| Primary Care Office Visit               |    | \$25 Copay (dw)             | \$25 Copay (dw)             | \$25 Copay (dw)             | First 3 Visits: \$5 Copay<br>4+ Visits: \$25 Copay (dw) |
| Specialist Office Visit                 |    | \$60 Copay (dw)             | \$60 Copay (dw)             | \$60 Copay (dw)             | \$25 Copay (dw)   |
| Walk-In / Urgent Care Visit             |    | \$40 Copay (dw)             | \$40 Copay (dw)             | \$40 Copay (dw)             | \$25 Copay (dw)   |
| Emergency Room                          |    | \$100 Copay / 80%           | \$100 Copay / 80%           | \$100 Copay / 80%           | \$100 Copay / 80%                                       |
| Outpatient Lab / X-Ray                  |    | 80%                         | 80%                         | 80%                         | 80% (dw)  |
| Complex Imaging (MRI, CAT, PET, et al.) |    | 80%                         | 80%                         | 80%                         | 80%   |
| Outpatient Surgical Facility            |    | 80%                         | 80%                         | 80%                         | 80%   |
| Inpatient Hospital Facility             |    | 80%                         | 80%                         | 80%                         | 80%   |
| Retail Prescription Drug Copays         |    | \$20 / \$40 / \$60 (dw)     | \$20 / \$40 / \$60 (dw)     | \$20 / \$40 / \$60 (dw)     | \$15 / \$45 / \$75 (dw)                                 |
| Mail Order Prescription Drug Copays     |    | 2.5x Retail                 | 2.5x Retail                 | 2.5x Retail                 | 3x Retail   |
| Specialty Prescription Drugs            |    | Same as Retail              | Same as Retail              | Same as Retail              | \$15 / \$225 / 30% (dw)                                 |
| Rates & Total Cost                      |    |                             |                             |                             |   |
| Employee                                | 27 | \$1,109.99                  | \$1,415.24                  | \$1,265.39                  | \$1,127.65  |
| Employee + Spouse                       | 12 | \$2,550.32                  | \$3,251.65                  | \$2,907.36                  | \$2,590.89  |
| Employee + Child(ren)                   | 20 | \$2,108.20                  | \$2,687.96                  | \$2,403.35                  | \$2,141.74  |
| Employee + Family                       | 13 | \$3,548.53                  | \$4,524.38                  | \$4,045.32                  | \$3,604.98  |
| Total Employees                         | 72 |                             |                             |                             |   |
| Annual Total                            |    | \$1,786,422                 | \$2,277,689                 | \$2,036,520                 | \$1,814,841   |
| Change from Current                     |    |                             | \$491,268                   | \$250,099                   | \$28,420  |
| Percentage Change                       |    |                             | 27.5%                       | 14.0%                       | 1.6%  |

Notes

1. Deductible applies unless otherwise noted by (dw) = deductible waived.
2. Enrollment provided by Premera, March 2024.
3. \*Benefits are illustrated at the Preferred level.
4. Moda's proposal comes with a 2nd-year rate cap of 12%.



City of Homer  
Dental Plan  
Benefit Outline and Cost Summary  
July 1, 2024 Renewal Date

| Benefit Outline                         | Current                            | Renewal                            | Negotiated Renewal                 | Option 1                                  |
|---|------------------------------------|------------------------------------|------------------------------------|---|
| Carrier                                 | Premiera BCBS of AK (Direct)       | Premiera BCBS of AK (Direct)       | Premiera BCBS of AK (Direct)       | Moda (Fully Insured)                      |
| Plan Type                               | PPO                                | PPO                                | PPO                                | PPO                                       |
| Deductible (Individual / Family)        | \$50 / \$150                       | \$50 / \$150                       | \$50 / \$150                       | PPO: \$25 / \$75<br>Premier: \$50 / \$150 |
| Waived For Preventive                   | Yes                                | Yes                                | Yes                                | Yes                                       |
| Annual Maximum                          | \$2,000                            | \$2,000                            | \$2,000                            | PPO: \$2,100<br>Premier: \$2,000          |
| Preventive Services                     | 100%                               | 100%                               | 100%                               | 100%                                      |
| Basic Services                          | 80%                                | 80%                                | 80%                                | 80%                                       |
| Major Services                          | 50%                                | 50%                                | 50%                                | 50%                                       |
| Endodontics / Periodontics              | Basic                              | Basic                              | Basic                              | Basic                                     |
| Implants                                | Major                              | Major                              | Major                              | Major                                     |
| Orthodontia                             | 100% (dw)                          | 100% (dw)                          | 100% (dw)                          | 50% (dw)                                  |
| Eligibility                             | Adult and Child                    | Adult and Child                    | Adult and Child                    | Adult and Child                           |
| Lifetime Maximum                        | \$1,500                            | \$1,500                            | \$1,500                            | \$1,500                                   |
| Waiting Periods (Prev. / Basic / Major) | 0 / 0 / 0                          | 0 / 0 / 0                          | 0 / 0 / 0                          | 0 / 0 / 0                                 |
| Non-Network                             | AK: 80th UCR<br>Lower 48: 90th UCR | AK: 80th UCR<br>Lower 48: 90th UCR | AK: 80th UCR<br>Lower 48: 90th UCR | 80th UCR                                  |
| Deductible (Individual / Family)        | \$50 / \$150                       | \$50 / \$150                       | \$50 / \$150                       | \$50 / \$150                              |
| Annual Maximum                          | \$2,000                            | \$2,000                            | \$2,000                            | \$2,000                                   |
| Rate Guarantee                          | To 7/1/2024                        | To 7/1/2025                        | To 7/1/2025                        | To 7/1/2025                               |

**Rates & Total Cost**

|                        |           |                 |                 |                 |                  |
|------------------------|-----------|-----------------|-----------------|-----------------|------------------|
| Employee               | 29        | \$55.30         | \$58.62         | \$55.30         | \$56.43          |
| Employee + Spouse      | 13        | \$112.73        | \$119.50        | \$112.73        | \$112.11         |
| Employee + Child(ren)  | 23        | \$97.24         | \$103.08        | \$97.24         | \$129.28         |
| Employee + Family      | 13        | \$154.66        | \$163.94        | \$154.66        | \$187.69         |
| <b>Total Employees</b> | <b>78</b> |                 |                 |                 |                  |
| <b>Annual Total</b>    |           | <b>\$87,795</b> | <b>\$93,066</b> | <b>\$87,795</b> | <b>\$102,088</b> |
| Change From Current    |           |                 | \$5,271         | \$0             | \$14,292         |
| Percentage Change      |           |                 | 6.0%            | 0.0%            | 16.3%            |

**Notes**

1. Enrollment provided by Premiera, March 2024.



# MEMORANDUM

**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:** Employee Committee  
**Through:** Melissa Jacobsen, Interim City Manager

The City of Homer's Employee Committee met on March 28, 2024 and were presented information on the proposed Health insurance costs by Andrea Browning, HR Director. She provided clarification that the city consultant solicited bids to providers and received three bids as follows:

- Premera at an increase of 27.5% \$2,392,454
- Moda Health \$1,770,412
- United Health \$1,972,794

She reported that Moda Health has a similar provider network and United Health has a very limited provider network. The following information was brought forward to the departments by the respective representative on the Employee Committee:

- 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 Employee Committee was requested to bring the information back to their respective departments and receive input from them on the proposals.

At the Employee Committee meeting on April 30<sup>th</sup> it was reported that members of departments had concerns on the in network providers under Premera compared to Moda Health.

Employees present who previously had Moda Health as a provider at a previous employer related personal experiences dealing with insurance claims and that experiences were positive with regard to service. It was also noted that a local large employer offers Moda Health and comments from an employee did not relay any problems.



The Committee members noted that it was only for one year and if the experience was that bad they could always switch back and maybe Premera would offer better rates to get the city back as clients.

A motion was called for by the Chair. It was moved and seconded to switch providers from Premera BC/BS to Moda Health and the motion was approved ten in favor, two against.

Recommendation:

Employee Committee supports switching health insurance providers to Moda Health.