



KERRVILLE CITY COUNCIL – EMPLOYEE BENEFIT TRUST
MEETING AGENDA
JULY 23, 2024 4:00 PM
CITY HALL, 701 MAIN STREET, KERRVILLE, TEXAS



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KERRVILLE
2023

Citizens may view and hear the Employee Benefits Trust meeting on Spectrum Channel 2 or by live-streaming via the City's website (www.kerrvilletx.gov). The Employee Benefits Trust meeting is recorded and posted on the City's website.

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

Pursuant to Section 46.03, Penal Code (places weapons prohibited), a person may not carry a firearm or other weapon on this property.

CALL TO ORDER: *By Chair Joe Herring, Jr.*

1. **PUBLIC COMMENTS:** *A member of the public may address City Council regarding an item on this agenda. Comments must be relevant to the agenda item. This is not intended to be a question and answer session. Prior to speaking, each speaker must fill out the speaker request form and submit it to the City Secretary. The speaker request form must be submitted before the meeting is called to order. Each speaker is limited to four minutes.*
2. **DISCUSSION, CONSIDERATION, AND POSSIBLE ACTION:**
 - 2.A Consideration and approval of the Fiscal Year 2025 employee benefit plans, rates, and funding.
(K Meisner, Assistant City Manager)
Attachment: [20240723_Presentation FY25 Employee Benefits Final.pdf](#)

ADJOURN.



**TO BE CONSIDERED BY THE CITY COUNCIL -
EMPLOYEE BENEFIT TRUST
CITY OF KERRVILLE, TEXAS**

SUBJECT:

Consideration and approval of the Fiscal Year 2025 employee benefit plans, rates, and funding. (*K Meismer, Assistant City Manager*)

AGENDA DATE OF: July 23, 2024

DATE SUBMITTED: July 13, 2024

SUBMITTED BY: Kim Meismer, Assistant City Manager

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
N/A	N/A	N/A	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item? No

Key Priority Area N/A

Guiding Principle N/A

Action Item N/A

SUMMARY STATEMENT:

Chapter 222.002 of the Texas Insurance Code states that insurance companies have to pay a tax of 1.75% on the total premiums they collect from their policyholders each year. It also states that if a municipality sets up a single entity benefit trust, the premiums they pay are exempt from the 1.75% tax collected by their insurer.

In July 2008, City Council approved a resolution to create the single entity benefit trust called the "City of Kerrville Employee Benefit Trust". The City Council serves as the Trustees. Savings to date are \$784,894.

Request for Proposals for Medical & Dental

Medical:

The City issued a Request for Proposals for medical and dental benefits only. Notice was advertised in the KDT on 06/01/2024 and 06/08/2024. We received two bids for medical & three bids for dental benefits.

● **Medical Initial Bids**

● BCBSTX = 24.4% increase - same plan as current

● United Healthcare (UHC) = 4% increase (slightly higher deductible than current)

BCBSTX bid came in high due to our high loss ratio with BCBSTX. The loss ratio is based on claims paid vs. premiums paid and includes medical and pharmacy claims. The 12-month average is 119.1%.

Began Negotiations

With a 4% increase from current, UHC provided an affordable bid but there were some concerns. UHC's network is not as robust as BCBSTX. We would lose 29 local providers that are current providers of our members if we contract with UHC. In addition, the Health Savings Account plan deductible would increase from \$3,000 individual/\$6,000 family to \$3,500/\$7,000.

We also began negotiations with BCBSTX due to the stronger provider network in Kerrville and stability of our 11-year relationship. BCBSTX's best and final offer came in at a 3.7% increase from current and includes a \$125,000 Premium Credit. The plan design remains the same with just a few adjustments.

- PPO Specialist Copay from \$55 to \$60 per visit
- PPO RX Deductible Removed – Only copays apply for prescriptions on PPO plan
- HSA RX Plan – All RX claims are subject to HSA medical deductible & coinsurance
- Deductible change from \$3,000/\$6,000 on both plans to \$4,500/\$9,000 on PPO and \$3,200/\$6,400 on HSA
 - NOTE: Only 10% or 70 of the 708 members (employees plus dependents) have met their deductible so far this year

For the following reasons, staff recommends staying with BCBSTX for Fiscal Year 2025.

- BCBSTX is well received by the area medical community
- BCBSTX has a stronger provider network in Kerrville
- Stability of our 11-year relationship with BCBSTX
- High satisfaction rate among our plan members
- Employees and their families know the BCBSTX plan and how it works

NOTE: BCBSTX deductible increase not a real negative as 90% of covered members (employees plus dependents) have not met their deductible and when seeking healthcare are only responsible for copays.

Dental:

BCBSTX, our current provider, provided a 12% increase with the same plan as current. The UHC bid came in at 9.27% increase with the same plan as current. MetLife provided a flat bid – meaning no increase for the same plan as current. MetLife also provided a 7% rate

cap on 2nd and 3rd year renewals and their provider network in Kerrville is better than the provider network that we currently have with BCBSTX. Staff recommends moving to MetLife for our dental coverage for Fiscal Year 2025.

Other Benefits:

We have a two-year rate guarantee that ends on 09/30/2025 for the following employee benefits.

- City Paid Life and AD&D
- Long Term Disability
- Supplemental Life and AD&D
- Short Term Disability
- Vision - Rate guarantee through 09/30/2027

Cost of Benefits:

We calculate the cost of benefits by:

- Per employee per month (PEPM)
- Per employee per year (PEPY)

City Contribution to Cost of Benefits

- BCBSTX Medical - \$10,665 PEPY
- MetLife Dental - \$386 PEPY
- BCBSTX Group Life and AD&D - \$36 PEPY
- Lincoln Long Term Disability - \$180 PEPY
- Total - \$11,267 PEPY

We budget benefits for all full-time positions approved by Council. For Fiscal Year 2025, we will have 340 budgeted positions (vacancies occur during the year, monthly billing varies). Currently, we have 319 employees covered by benefits.

Budget Calculation:

- 319 covered employees x total cost of benefits \$11,267 PEPY
 - (medical, dental, group life, AD&D, and LTD)
- Total City expense = \$3,594,173
- Divided by 340 budgeted employees = **\$10,571 PEPY**

The City of Kerrville Employee Benefit Trust has a benefit reserve created from excess funds due to constant changes in number of employees due to hires and termination, employees changing benefit plans at open enrollment, and employees changing coverage and plans due to life status changes i.e. marriage, divorce, babies, etc.

- Benefit reserve balance as of 06/30/2024 = \$313,642

Fiscal Year 2025 Benefit Budget:

- Budget calculation = \$10,571 PEPY
- FY2025 budget for benefits = \$11,000 PEPY

Authorize use of the Employee Benefit Reserve, if needed to pay for any overages.

RECOMMENDED ACTION:

Staff recommends Council, acting as the Trustees of the City of Kerrville Employee Benefit Trust, approve the Fiscal Year 2025 employee benefit plans, rates, and funding as presented and authorize the City Manager to execute the contracts with the providers.

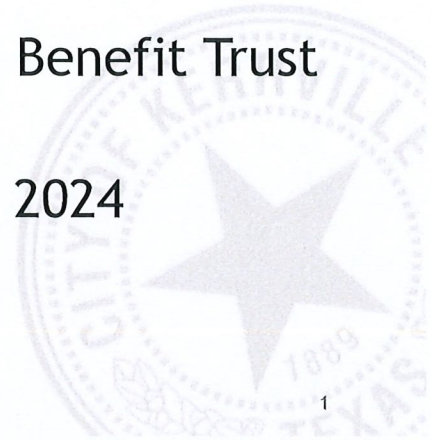
ATTACHMENTS:

[*20240723_Presentation FY25 Employee Benefits Final.pdf*](#)



FY2025 Employee Benefits

Trustees of the Employee Benefit Trust
Workshop
Tuesday, July 23, 2024



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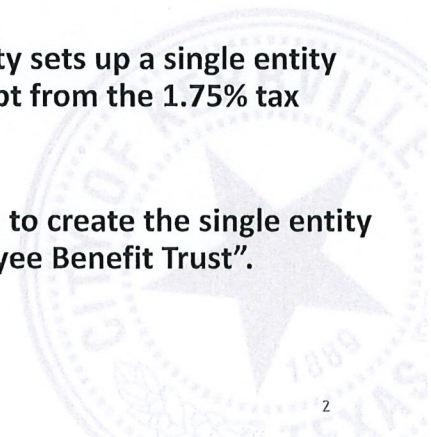
Employee Benefit Trust

Chapter 222.002 of the Texas Insurance Code states that insurance companies have to pay a tax of 1.75% on the total premiums they collect from their policyholders each year.

Chapter 222.002 also states that if a municipality sets up a single entity benefit trust, the premiums they pay are exempt from the 1.75% tax collected by their insurer.

In July 2008, City Council approved a resolution to create the single entity benefit trust called the "City of Kerrville Employee Benefit Trust".

The City Council serves as the Trustees.



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Employee Benefit Trust Savings to Date

Savings to Date:	
1.75% Savings Per Year	
FY2009	\$49,815
FY2010	\$49,823
FY2011	\$41,986
FY2012	\$48,300
FY2013	\$45,687
FY2014	\$43,544
FY2015	\$41,376
FY2016	\$43,350
FY2017	\$42,900
FY2018	\$43,884
FY2019	\$48,418
FY2020	\$49,539
FY2021	\$52,868
FY2022	\$55,784
FY2023	\$59,678
FY2024	\$67,942
TOTAL	\$784,894



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Request for Proposals

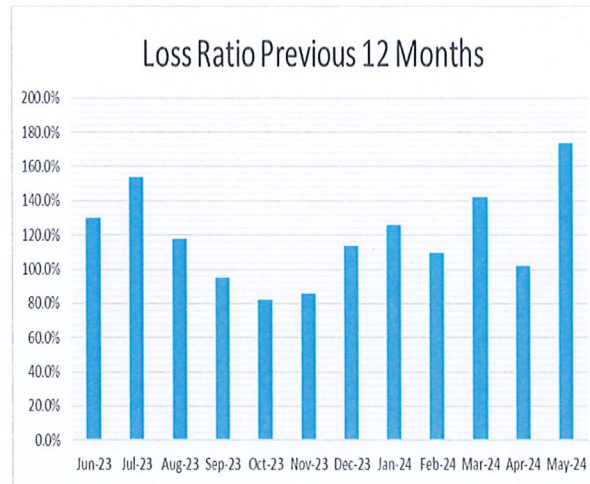
- We issued a Request for Proposals for medical and dental benefits only
 - Advertised in the KDT on 06/01/2024 and 06/08/2024
- Received two bids for medical & three bids for dental benefits
- Medical Initial Bids
 - BCBSTX = 24.4% increase - same plan as current
 - United Healthcare (UHC) = 4% increase (slightly higher deductible than current)
- Loss ratio with BCBSTX at 119.1% (May 2024)
 - Loss ratio is based on claims paid vs. premiums paid
 - Includes medical and pharmacy claims
- Very challenging negotiating position with a tight budget

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Loss Ratio Previous 12 Months

Key finding noted by BCBSTX: The medical & pharmacy loss ratio for the most recent reported month was 54.8% higher than the average of the most recent reported twelve months, which was 119.1%.

Loss Ratio Previous 12 Months	
Jun-23	130.0%
Jul-23	153.9%
Aug-23	117.6%
Sep-23	95.3%
Oct-23	82.2%
Nov-23	86.0%
Dec-23	113.5%
Jan-24	125.8%
Feb-24	109.7%
Mar-24	142.1%
Apr-24	102.3%
May-24	173.9%
TOTAL	119.1%



Negotiations

With a 4% increase from current, UHC provided an affordable bid but there were some concerns:

- Kerrville provider network disruption – Loss of 29 local providers with UHC
- Higher deductible for HSA plan from \$3,000/\$6,000 to \$3,500/\$7,000

Began negotiations with BCBSTX due to the stronger provider network in Kerrville and stability of our 11 year relationship

- Best & final offer = **3.7%** increase (includes a \$125,000 Premium Credit)
 - PPO Specialist Copay from \$55 to \$60 per visit
 - PPO RX Deductible Removed – Only copays apply for prescriptions on PPO plan
 - HSA RX Plan – All RX claims are subject to HSA medical deductible & coinsurance
 - Deductible change to \$4,500/\$9,000 on PPO and \$3,200/\$6,400 on HSA
 - Deductible (both plans) has been \$3,000/\$6,000 since FY2020 (five fiscal years)
 - Only 10% or 70 of the 708 members (employees plus dependents) have met their deductible so far this year

Staff Recommendation

For the following reasons, staff recommends staying with BCBSTX

- Well received by the area medical community
- Stronger provider network in Kerrville
- Stability of our eleven year relationship with BCBSTX
- High satisfaction rate among our plan members
- Employees and their families know the BCBSTX plan and how it works

NOTE: BCBSTX deductible increase not a real negative as 90% of covered members (employees plus dependents) have not met their deductible and when seeking healthcare are only responsible for copays.

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BCBSTX Medical

- BCBSTX Medical (12th year)
 - FY2025 = 3.7% increase with \$125,000 Premium Credit
 - Rate History
 - FY2024 = 13.2% increase with \$150,000 Premium Credit
 - FY2023 = 5% increase
 - FY2022 = 5% increase
 - FY2021 = 8% increase
 - FY2020 = .69% increase with \$100,000 Premium Credit
 - FY2019 = 1% increase
 - FY2018 = 1.5% increase
 - FY2017 = Flat
 - FY2016 = 5% decrease
 - FY2015 = 3.7% decrease
 - FY2014 = 7% increase

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BCBSTX Medical

- PPO

- \$4,500 deductible, \$9,000 family deductible
- Office visit copay \$40 Physician/\$60 Specialist
- TeleHealth (MDLIVE) copay \$40
- Preventive care, routine lab & imaging – Paid at 100%
- RX copays \$15/\$40/\$70

- HSA

- \$3,200 deductible, \$6,400 family deductible
- Medical coverage – Paid at 80% after deductible
- RX – Paid at 80% after deductible
- Employees with a Health Savings Account (HSA) from an external provider can use those funds for eligible health expenses under the BCBSTX HSA plan

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Dental Bids & Recommendation

Dental Bid Details:

- BCBSTX (current provider) = 12% increase same plan as current
- UHC = 9.27% increase same plan as current
- MetLife = flat (no increase) same plan as current

Dental Recommendation:

- Change to MetLife
 - 7% rate cap on 2nd and 3rd year renewals
 - Kerrville provider network is better than current

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MetLife Dental

City Contribution – Core Benefit

- 100% of the Employee Cost
- 17-18% of the Dependent Cost

Details

- \$50/\$150 Deductible, Waived for Preventive
- \$1,500 Annual Max Benefit
- \$1,500 Ortho Lifetime Max (Children Only – up to age 19)
- Preventive Services – (cleanings, exam, x-rays, etc.)
 - Covered at 100%
- Basic Services – (fillings, extractions, etc.)
 - Covered at 80% After Deductible
- Major Services – (oral surgery, inlays, onlays, crowns, etc.)
 - Covered at 50% After Deductible

City and employee contribution remains same as current year

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City Paid Life and AD&D

Benefit

- Life
 - Employee Only Coverage
 - 1x Base Annual Salary, Max. \$50,000
- Accidental Death & Dismemberment (AD&D)
 - Payment based on severity of disability or dismemberment

Cost

- Per \$1,000 of covered monthly payroll
 - Basic Life Rate = \$0.05
 - AD&D Rate = \$0.02
 - Total Life/AD&D Rate = \$0.07
- Estimated per employee per year (PEPY) = \$36
- Two year rate guarantee expires 09/30/2025

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Long Term Disability (LTD)

Benefit

- Max Monthly Benefit = \$10,000 (or 60% Base Monthly Salary)
 - Reduced by Social Security Disability, worker's compensation, employer-sponsored sick leave, or retirement benefits
- Elimination/Waiting Period = 90 Days
- Max Benefit Period = Age 65 or Social Security Normal Retirement Age whichever is later

Cost

- \$0.30 per \$100 of covered monthly payroll
- Estimated per employee per year (PEPY) = \$180
- Same plan design, same rate as current
- Two year rate guarantee expires 09/30/2025

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Core & Voluntary Benefits

— Core Benefits

- City Contributes to the cost of these benefits:
 - Medical
 - Employee – 100% paid by City, Dependent – 75% paid by City
 - Dental
 - Employee – 100% paid by City, Dependent – 17-18% paid by City
 - Life and AD&D
 - Employee – 100% paid by City
 - Long Term Disability
 - Employee – 100% paid by City

— Voluntary Benefits

- No City contribution for these benefits:
 - Vision
 - Supplemental Life and AD&D
 - Short Term Disability
 - AFLAC
 - MASA Emergency Medical Transport

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FY2025 Cost of Benefits

We calculate the cost of benefits by:

- Per employee per month (PEPM)
- Per employee per year (PEPY)

City Contribution to Cost of Benefits

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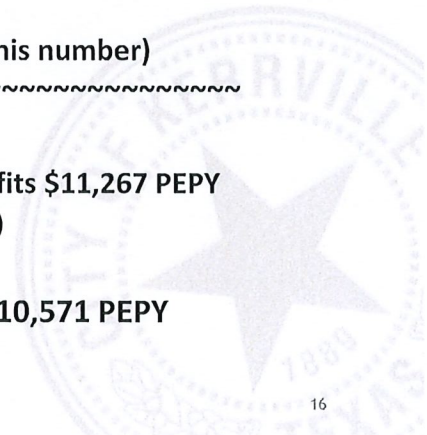
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FY2025 Estimated Budget

- Budget benefits for all full time positions approved by Council
 - 340 positions (vacancies occur during the year, monthly billing varies)
- Current employees covered by benefits
 - 319 employees (benefit bids are based on this number)

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- Budget Calculation
  - 319 covered employees x total cost of benefits \$11,267 PEPY
    - (medical, dental, group life, AD&D, and LTD)
  - Total City expense = \$3,594,173
  - Divided by 340 budgeted employees = \$10,571 PEPY



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# Benefit Reserve

**Benefit Reserve balance as of 06/30/2024 = \$313,642**

- **Benefit Reserve changes due to:**
  - Constant changes in number of employees due to hires and terminations
  - Employees changing benefit plans at open enrollment
  - Employees changing coverage and plans due to life status changes i.e. marriage, divorce, babies, etc.

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# FY2025 Benefit Budget

- **Budget calculation = \$10,571 PEPY**
- **FY2025 budget for benefits = \$11,000 PEPY**
- **Authorize use of the Employee Benefit Reserve, if needed, to pay for any overages**

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## Action To Be Taken

**Staff recommends Council, acting as the Trustees of the City of Kerrville Employee Benefit Trust, approve the FY2025 employee benefit plans, rates, and funding as presented and authorize the City Manager to execute the contracts with the providers.**

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## Questions?

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