



DATE: May 19, 2021

TO: Mike Veit, Chair, Stay Well Committee
Cindy Culp, Vice Chair, Stay Well Committee

CC: Adam Norris, Assistant City Manager
Bryan Kidney, Director, Finance and Administration
Jennifer Vargo, Chief Human Resources Officer

FROM: Zach Walker, City Manager

SUBJECT: Stay Well Committee Recommendations

I want to thank the members of the committee for their ongoing diligent work as advisors to the City Manager for the Stay Well Fund. The members of this committee perform an important function on behalf of employees, retirees, and their families. I would also like to thank the committee for working in concert with our budget timelines to allow sufficient time to plan and budget appropriately.

While it is never an easy decision to increase premiums, especially in the midst of a pandemic, it is critical that we continue to exercise responsible stewardship of the fund and medical plans for today and the future. I know that the committee's recommendation to increase rates by 10% across the board was made after a considerable amount of time evaluating options, plan performance, projections, etc. I know this recommendation was not one made lightly. We have incorporated the recommended premium increase into the Proposed FY 2021-22 Budget and staff will be making the changes to employee withholdings to be effective July 1, 2021.

As we discussed, I would like the committee to review the recommendation of applying the premium increases for both OAP1 and OAP2. In looking at the performance of these plans, through April 2021, OAP1 is operating at a loss of \$2.95M while OAP2 is operating at a surplus of \$240,000. With 170 participants (employee and retirees) in OAP2, they are subsidizing approximately \$1,400 per participant for those enrolled in OAP1. I am concerned about the message to OAP2 participants of increasing at the same rate increase when it cannot



be justified from a financial perspective. Those enrolled in this plan made a choice to pay a greater portion of the costs to access to medical-related services as opposed to those enrolled in OAP1, which generally pay less to access medical services. The premium increase for OAP2 would generate approximately \$225,000 (versus \$1.5M for OAP1). This would increase the subsidy OAP2 enrollees are providing to OAP1 from \$1,400 per participant to approximately \$2,735 (or \$465,000 total). This disparity and increased subsidy causes me great concern for OAP2 participants to absorb this additional burden when it does not appear financially warranted at this time. Therefore, I would like the Committee to reconsider this particular aspect of the committee's recommendation.

I again want to thank the committee for their continued work and partnership. As we discussed, we both recognize that just increasing rates is only a portion of what is needed to strengthen the Stay Well Fund. It is an important step but we both agree that this increase is to give us time to work together to create design changes that will make substantial long-term changes and ensure the financial sustainability of the plan. I look forward to working with the committee to address these challenging decisions in the coming months..