City Council - Employee Benefit Trust Agenda
July 22, 2025 at 4:00 PM
City Hall, 701 Main Street, Kerrville, Texas

Citizens may view and hear the Employee Benefits Trust meeting on Spectrum Channel 2 or by live-stream 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 carried openly.
Pursuant to Section 46.03, Penal Code (places weapons prohibited), a person may not carry a firearm or weapon on the property.

CALL TO ORDER:

1. **PUBLIC COMMENTS:** *A member of the public may address the Employee Benefit Trust 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. Citizens wishing to speak during this meeting shall submit a completed "speaker request form" to the City Secretary before the meeting is called to order. Each speaker is limited to four minutes.*

2. **CONSIDERATION AND POSSIBLE ACTION:**

   2.A Consideration and approval of the Fiscal Year 2026 employee benefit plans, rates, and funding. *(Kim Meismer, Asst City Manager)*

ADJOURN.

The facility is wheelchair accessible, and accessible parking spaces are available. Requests for accommodation or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-258-1118 for further information.
I hereby certify that this agenda was posted as notice of the meeting on the bulletin board at the City Hall of the City of Kerrville, Texas, and on the City's website July 17, 2025 at 2:30pm and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.
Shelley McElhannon, City Secretary, City of Kerrville, Texas

TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS

CAPTION: Consideration and approval of the Fiscal Year 2026 employee benefit plans, rates, and funding. *(Kim Meismer, Asst City Manager)*

AGENDA DATE: July 22, 2025 **DATE SUBMITTED:** 06/12/2025

SUBMITTED BY:

EXHIBITS:
None

Expenditure:	**Amount Budgeted:**
Account Number:	**Account Balance:**
Payment to/Vendor name:	

Kerrville 2050 Item?
No

Key Priority Area:

SUMMARY:
<u>Summary:</u>
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 $860,177.

Request for Proposals for Medical & Dental

Medical:
The City issued a Request for Proposals for medical, dental, vision, EAP, Long Term Disability, Short Term Disability, and Life and AD&D benefits. Notice was advertised in the KDT on 05/28/2025 and 06/04/2025. We received eighteen combined bids but only two for medical.

- Medical Initial Bids
    - BCBSTX = 29.4% increase to PPO Plan - same plan as current
    - United Healthcare (UHC) = 43% increase

BCBSTX bid came in high due to our high loss ratio. The loss ratio is based on claims paid vs. premiums paid and includes medical and pharmacy claims. As of 6/30/2025, the 12-month average is 109.5%.

We began negotiations with BCBSTX due to the stronger provider network in Kerrville and stability of our 12-year relationship. The BCBSTX best and final offer came in at a 17.7% increase from current and includes a $50,000 Premium Credit.

To further mitigate the cost increase, we evaluated an HMO option as a replacement for the unused HSA plan.

- Very little difference between the HMO and PPO networks for access – of 1,110 in network claims from the past plan year, 1,097 of them would have been in network with the HMO.
- Telehealth through MD Live is still covered as in network nationwide and Urgent Care visits still have a $75 copay in Texas
- Identical plan design to the PPO with the following exceptions:
    1. Removes out of network coverage except for emergencies
    2. Enrollees on the HMO must designate a Primary Care Physician (PCP) and receive a PCP referral for specialist services

If an employee selects the more expensive PPO Plan, we recommend the employee pay the difference between the PPO and the HMO which is $74.00/month. We also recommend that we reduce the amount that the City contributes for dependent care from 75% to 55% for employee plus children and employee plus family. Since most claims are by spouses and spouses typically have coverage available elsewhere i.e. their own employers, we are recommending reducing the City contribution for spouses to 45% on the PPO Plan.

If the employee changes to the HMO plan, we recommend the City pay 100% of the cost for employee coverage and although the employee would see a small increase in the cost they contribute for dependent coverage, the City will still contribute 75% of the total cost for dependent coverage for children. The City would also pay 70% of the cost for dependent coverage for family. But again, since most claims are by spouses and spouses typically have coverage available elsewhere i.e. their own employers, we are recommending reducing the City contribution for spouses to 55% on the HMO Plan.

For the following reasons, staff recommends staying with BCBSTX for FY2026 and adding the HMP Plan as the “preferred” medical option.

- BCBSTX is well received by the area medical community
- BCBSTX has a stronger provider network in Kerrville
- Stability of our 12-year relationship with BCBSTX
- High satisfaction rate among our plan members
- Employee and their families know the BCBSTX plan and how it works

Dental:
MetLife, our current provider, came in at a 7% increase. BCBSTX came in at 0% with an offer of a two-year rate guarantee and bundled savings (1% off total medical rates). Lincoln came in at -5% increase with the potential for network disruption. Staff recommends returning to BCBSTX for dental which will keep rates the same and provide bundling savings for the medical.

City Paid Life and AD&D:
BCBSTX, the current provider, made no changes to rates. If BCBSTX received both City Paid and Voluntary Life, they offered an additional .5% bundling discount. Lincoln's rate came in at a $.015 reduction while MetLife's bid stayed flat. It is important to note that Lincoln's rates are contingent on receiving City Paid Life and AD&D, Supplemental Life, Long Term Disability, and Short-Term Disability. Since Lincoln also provides our EAP service, not working with Lincoln would result in us needing a standalone EAP – adding additional costs that disrupt any bundling savings from BCBSTX on these lines. Staff recommends moving to Lincoln for City paid Life and AD&D due to savings and access to EAP.

Long Term Disability:
Lincoln, the current provider, offered a decrease in rates to $.219 (per $100 covered payroll) with the addition of other lines (bundling City paid Life, AD&D, Voluntary Life and AD&D, and Short-Term Disability). BCBSTX offered $.254 and MetLife $.219. In addition, both Lincoln and MetLife offered EAP as included in their coverage. Based on Lincoln and MetLife having the same rates, Staff recommends staying with Lincoln. It achieves cost savings on other lines while maintaining continuity with Lincoln.

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 - $11,524 PEPY
- BCBSTX Dental - $386 PEPY
- Lincoln Group Life and AD&D - $32 PEPY

- Lincoln Long Term Disability - $150 PEPY
- Total - $12,092 PEPY

We budget benefits for all full-time positions approved by Council. For FY2026, we will have 342 budgeted positions (vacancies occur during the year, monthly billing varies). Currently, we have 322 employees covered by benefits.

Benefit costs fluctuate because we have vacancies, new employees, terminated employees, employees who have single covered then get married and add a spouse and later on add a child. It is constantly changing. With that, we have to base our budget on our best estimate.

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 07/16/2025 = $319,220

RECOMMENDED ACTION:
Staff recommends Council, acting as the Trustees of the Employee Benefit Trust, approve the FY2026 employee benefit plans, rates, and funding as presented, approve used of the Employee Benefit Reserve, if needed, and authorize the City Manager to execute the contracts with the providers.