



City Council Agenda Item Report

FROM: Ryan Cummins, City Manager

MEETING DATE: June 23, 2025

SUBJECT: Employee Health Insurance Benefits for FY 25-26

DESCRIPTION:

The City's employee health insurance agent, Gallagher Benefit Services LLC (Gallagher), has provided the attached quotes for coverage for next fiscal year. The quote to renew the existing Priority Health HMO plan would result in a 14.94% increase, which equates to an annual change of \$20,658.24.

We aren't alone in seeing significant percentage increases. State regulators approved the rate changes. Saugatuck Township's quote showed their current plan increasing 13.2%. Fennville's quote was a 14.3% increase. Kalamazoo Lake Sewer-Water Authority's quote also showed an increase of 12.7%.

The City Treasurer/Finance Officer and I have been meeting with Gallagher to discuss options to lessen our cost increase. We have also been comparing our existing benefits against nearby municipalities and running numbers on various options.

Workshop Presentation

At the workshop meeting, I presented the attached information and recommendation to make a change to offer employees residing in certain counties the PriorityHMO Gold G10 - West MI Partners plan, and to offer the PriorityHMO Gold G10 to employees outside of a partner county. Based on the current employee census, the proposed plan would result in a 3.26% increase in cost for the City, compared to a 14.94% increase if we were to renew our existing plan.

BUDGET ACTION:

None at this time.

LEGAL REVIEW:

Legal will be at your meeting for any questions you may have.

SAMPLE MOTION:

Motion to offer employees in a West Michigan partner county the PriorityHMO Gold G10 - West MI Partners plan, and to offer the PriorityHMO Gold G10 to employees outside of a partner county.



Employee Health Insurance FY 25-26

Options Under Act 152 - Publicly Funded Health Insurance Contribution Act

- Enacted in 2011 to limit the amount public employers pay toward employee health insurance premiums.
- Applies to cities, townships, counties, school districts, and other public employers.
- Requires annual compliance by local governing bodies.
- Employers must choose one of three options:
 - 1. Hard Cap**
 - 2. 80/20 Cost Sharing**
 - 3. Opt-Out (2/3 Majority Vote Required)**

Options Under Act 152 - Publicly Funded Health Insurance Contribution Act

1. Hard Cap

- State sets limits.
- Limits for 2026:
 - Single - \$7,942.09
 - 2 Person - \$16,609.38
 - Family Coverage - \$21,660.30
- Hard cap limits wouldn't cover entire cost of renewal quote.
- Employees would be responsible for costs above limits.
- Because we are in a small group, has greater impact on larger families and older employees.

2. 80/20 Cost Sharing

- Requires employees to pay 20% of premium. City pays 80% of premium.
- Currently, employees do not contribute to premiums.
- Suddenly requiring employees to pay 20% would be a big change and could impact retention.

3. Opt-Out (2/3 Majority Vote Required)

- City Council has opted out each year.
- This has provided the City greater flexibility and provided a richer benefit for employees.
- This helps with recruitment and retention but is more costly to the City.
- I recommend that we continue to opt out.

Cost Increases Over Time

Year	Increase or Decrease
2015	
2016	-1.46%
2017	9.47%
2018	-5.05%
2019	-0.76%
2020	-13.86%
2021	0.06%
2022	5.12%
2023	18.62%
2024	8.85%
2025	10.87%
2026 - Quote	14.94%

- We aren't alone in seeing significant percentage increases. State regulators approved the rate changes. Saugatuck Township's quote showed their current plan increasing 13.2%. Fennville's quote was a 14.3% increase. Kalamazoo Lake Sewer-Water Authority's quote also showed an increase of 12.7%.

Current Plan - Highlights

- **Priority Health HMO – Gold Level Plan**
- **Deductible - \$500 / \$1000**
 - Been the same since at least 2008
- **Coinsurance – 20%**
 - Individual Max - \$5,500
 - Family Max - \$11,000
- **Annual Out of Pocket Max**
 - Individual - \$8,500
 - Family - \$17,000
- **Copays**
 - Primary Care - \$30
 - Specialist - \$50
 - Emergency - \$250
 - Labs - \$35
- **Cost to Renew – 14.94% Increase or \$20,658.24 annual change**
- **For employees who opt out and have coverage elsewhere, they are paid 30% of hard cap limits.**

Recommended Plans - Highlights

Priority Health HMO - West Michigan Partners (G10)	Priority Health HMO – Classic (G10)
Employees residing in a partner county (currently all employees), will be on partner plan and have tiers for providers.	Employees outside a partner county will be on more traditional plan.
Deductible (Tier 1) - \$1000 / \$2,000 - Increase in deductible *Disruption report shows 97% of claims were for Tier 1 provider Deductible (Tier 2) - \$4,000 / \$8,000	Deductible - \$1000 / \$2,000 Increase in deductible
Coinsurance – 20% - Individual Max - \$4,500 - Max is \$1000 less than current plan. - Family Max - \$9,000 - Max is \$2000 less than current plan.	Coinsurance – 20% - Individual Max - \$4,500 - Max is \$1000 less than current plan. - Family Max - \$9,000 - Max is \$2000 less than current plan.
Annual Out of Pocket Max - Individual - \$8,150 - Family - \$16,300 - Max is less than current plan	Annual Out of Pocket Max - Individual - \$8,150 - Family - \$16,300 - Max is less than current plan
Copays - Primary Care - \$20 - Lower than current plan - Specialist - \$50 - Emergency - \$250 - Labs - \$35	Copays - Primary Care - \$20 - Lower than current plan - Specialist - \$50 - Emergency - \$250 - Labs - \$35

Pros and Cons of Recommended Plan

- **Pros**

- Still offering gold level plans.
- Based on current employee census, cost increase for the City is cut dramatically to 3.26% or \$4,506 annual change. This will save \$16,152 annually.
- Employees will have lower copays for primary care, preferred brand drugs, and non-preferred brand drugs.
- Employees will have lower co-insurance and out of pocket max.
- Employees are still not being asked to pay any portion of their health insurance premium which helps with recruitment and retention.
- For employees who opt out and have coverage elsewhere, they are still paid 30% of hard cap limits.

- **Cons**

- Employees will have higher deductible.
- For employees on the West Michigan Partner Plan who wish to still use a Tier 2 provider, it will cost them more.
 - Priority Health report shows minimal disruption (3%) based on providers employees are currently using. However, Bronson will become Tier 2 after January 1 which will impact some employees.

Additional Options

- **High Deductible/Health Savings Account (HSA) Plans**
 - Several options were evaluated. If the City were to shift its current HRA offering for vision and dental into an HSA, most HSA options still did not result in much, if any, savings to City.
 - The West Michigan Partners HSA did result in additional savings that could be shared with employees in an HSA. This may be a great future option, but will take a lot of education to help employees understand the benefits.
- **Keep Classic HMO but Increase Deductible (G10 Plan)**
 - Based on current employee census, cost increase for the City would be 13.53% or \$18,717 annual change. This would save 1.41% or \$1,941 over renewing the existing plan.
 - City could choose to have employees pay some amount towards premiums to help offset cost.
- **Renew Existing Classic HMO Plan (G50)**
 - City could choose to just pay increased cost; or
 - City could choose to have employees pay some amount towards premiums to help offset cost.

Medical Benefit Comparison for City of Saugatuck - Copy Prepared by Julie James, Gallagher Benefit Services LLC 49453 (Saugatuck, MI, Allegan), Medical #1: PriorityHMO 500					
	Current	Renewal	Plan 1	Plan 2	Plan 3
	Priority Health	Priority Health	Priority Health	Priority Health	Priority Health
	PriorityHMO Gold G50	PriorityHMO Gold G50	PriorityHMO Gold G10 - West MI Partners	PriorityHMO Gold G10	PriorityHSA HMO Gold G16 - West MI Partners
	8/1/2024	8/1/2025	8/1/2025	8/1/2025	8/1/2025
	HMO	HMO	HMO	HMO	HMO
	In-Network	In-Network	In-Network	In-Network	In-Network
Deductible					
Individual	\$500	\$500	\$1,000	\$1,000	\$1,650
Family	\$1,000	\$1,000	\$2,000	\$2,000	\$3,300
Coinsurance					
Coinsurance	20%	20%	20%	20%	20%
Individual Max	\$5,500	\$5,500	\$4,500	\$4,500	Not Applicable
Family Max	\$11,000	\$11,000	\$9,000	\$9,000	Not Applicable
Annual Out of Pocket Max					
Individual	\$8,500	\$9,100	\$8,150	\$8,150	\$4,500
Family	\$17,000	\$18,200	\$16,300	\$16,300	\$9,000
Physician Office Services					
Preventive Care	No Charge	No Charge	No Charge	No Charge	No Charge
Primary Care	\$30	\$30	\$20	\$20	20% after deductible
Specialist	\$50	\$50	\$50	\$50	20% after deductible
Virtual Visit	\$10	\$10	\$10	\$10	\$10 Copay after deductible
Behavioral Health	\$25	\$30	\$20	\$20	20% after deductible
Hospital Services					
Urgent Care	\$85	\$85	\$85	\$85	20% after deductible
Emergency Room	\$250 Copay after deductible	\$250 Copay after deductible	\$250 Copay after deductible	\$250 Copay after deductible	20% after deductible
Inpatient	20% after deductible	20% after deductible	20% after deductible	20% after deductible	20% after deductible
Outpatient	20% after deductible	20% after deductible	20% after deductible	20% after deductible	20% after deductible
Diagnostic Services					
Imaging/CT/PET/MRI	\$250 Copay after deductible	\$250 Copay after deductible	\$250 Copay after deductible	\$250 Copay after deductible	20% after deductible
Labs	\$35	\$35	\$35	\$35	20% after deductible
X-Rays	\$75	20% after deductible	20% after deductible	20% after deductible	20% after deductible
Rehabilitative Care					
Chiropractic	\$40	\$40	\$40	\$40	20% after deductible
Speech Therapy	\$50 Copay after deductible	\$50 Copay after deductible	\$50 Copay after deductible	\$50 Copay after deductible	20% after deductible
Occupational and Physical Therapy	\$50 Copay after deductible	\$50 Copay after deductible	\$50 Copay after deductible	\$50 Copay after deductible	20% after deductible
Durable Medical Equipment	50% after deductible	50% after deductible	50% after deductible	50% after deductible	50% after deductible
Prescription Drugs					
Generic	\$5/\$35	\$5/\$35	\$5/\$35	\$5/\$35	\$5/\$35 Copay after deductible
Preferred Brand	\$80	\$80	\$75	\$75	\$65 Copay after deductible
Non-Preferred Brand	\$95	\$95	\$90	\$90	\$85 Copay after deductible
Preferred Specialty	20%/\$250 max	20%/\$250 max	20%/\$250 max	20%/\$250 max	After deductible, 20% \$250 max
Non-Preferred Specialty	20%/\$450 max	20%/\$450 max	20%/\$450 max	20%/\$450 max	After deductible, 20% \$450 max
Employee Count	4	4	4	4	4
Employee + Spouse Count	1	1	1	1	1
Employee + Children Count	0	0	0	0	0
Family Count	5	5	5	5	5
Total Number of Employees	10	10	10	10	10
Monthly Total Premium	\$11,524.64	\$13,246.16	\$11,900.14	\$13,084.39	\$10,792.14
Annual Total Premium	\$138,295.68	\$158,953.92	\$142,801.68	\$157,012.68	\$129,505.68
Compared To		Current	Current	Current	Current
Annual Change (%)		14.94%	3.26%	13.53%	-6.36%
Annual Change (\$)		\$20,658.24	\$4,506.00	\$18,717.00	(\$8,790.00)
			Tier 2 Benefits include higher member cost share		Tier 2 Benefits include higher member cost share

Medical Benefit Comparison for City of Saugatuck - Copy
Prepared by Julie James, Gallagher Benefit Services LLC
49453 (Saugatuck, MI, Allegan), Medical #1: PriorityHMO 500

	Current	Renewal	Plan 4	Plan 5	Plan 6
	Priority Health	Priority Health	Priority Health	Priority Health	Priority Health
	PriorityHMO Gold G50	PriorityHMO Gold G50	PriorityHSA HMO Gold G251	PriorityHSA HMO Gold G16	PriorityHSA HMO Gold G201
	8/1/2024	8/1/2025	8/1/2025	8/1/2025	8/1/2025
	HMO	HMO	HMO	HMO	HMO
	In-Network	In-Network	In-Network	In-Network	In-Network
Deductible					
Individual	\$500	\$500	\$2,500	\$1,650	\$2,000
Family	\$1,000	\$1,000	\$5,000	\$3,300	\$4,000
Coinsurance					
Coinsurance	20%	20%	0%	20%	0%
Individual Max	\$5,500	\$5,500	Not Applicable	Not Applicable	Not Applicable
Family Max	\$11,000	\$11,000	Not Applicable	Not Applicable	Not Applicable
Annual Out of Pocket Max					
Individual	\$8,500	\$9,100	\$5,000	\$4,500	\$6,950
Family	\$17,000	\$18,200	\$10,000	\$9,000	\$13,900
Physician Office Services					
Preventive Care	No Charge	No Charge	No Charge	No Charge	No Charge
Primary Care	\$30	\$30	0% after deductible	20% after deductible	0% after deductible
Specialist	\$50	\$50	0% after deductible	20% after deductible	0% after deductible
Virtual Visit	\$10	\$10	0% after deductible	\$10 Copay after deductible	0% after deductible
Behavioral Health	\$25	\$30	0% after deductible	20% after deductible	0% after deductible
Hospital Services					
Urgent Care	\$85	\$85	0% after deductible	20% after deductible	0% after deductible
Emergency Room	\$250 Copay after deductible	\$250 Copay after deductible	0% after deductible	20% after deductible	0% after deductible
Inpatient	20% after deductible	20% after deductible	0% after deductible	20% after deductible	0% after deductible
Outpatient	20% after deductible	20% after deductible	0% after deductible	20% after deductible	0% after deductible
Diagnostic Services					
Imaging/CT/PET/MRI	\$250 Copay after deductible	\$250 Copay after deductible	0% after deductible	20% after deductible	0% after deductible
Labs	\$35	\$35	0% after deductible	20% after deductible	0% after deductible
X-Rays	\$75	20% after deductible	0% after deductible	20% after deductible	0% after deductible
Rehabilitative Care					
Chiropractic	\$40	\$40	0% after deductible	20% after deductible	0% after deductible
Speech Therapy	\$50 Copay after deductible	\$50 Copay after deductible	0% after deductible	20% after deductible	0% after deductible
Occupational and Physical Therapy	\$50 Copay after deductible	\$50 Copay after deductible	0% after deductible	20% after deductible	0% after deductible
Durable Medical Equipment	50% after deductible	50% after deductible	50% after deductible	50% after deductible	50% after deductible
Prescription Drugs					
Generic	\$5/\$35	\$5/\$35	\$5/\$35 Copay after deductible	\$5/\$35 Copay after deductible	\$5/\$40 Copay after deductible
Preferred Brand	\$80	\$80	\$70 Copay after deductible	\$65 Copay after deductible	\$80 Copay after deductible
Non-Preferred Brand	\$95	\$95	\$90 Copay after deductible	\$85 Copay after deductible	\$100 Copay after deductible
Preferred Specialty	20%/\$250 max	20%/\$250 max	After deductible, 20% \$250 max	After deductible, 20% \$250 max	After deductible, 20% \$250 max
Non-Preferred Specialty	20%/\$450 max	20%/\$450 max	After deductible, 20% \$450 max	After deductible, 20% \$450 max	After deductible, 20% \$450 max
Employee Count	4	4	4	4	4
Employee + Spouse Count	1	1	1	1	1
Employee + Children Count	0	0	0	0	0
Family Count	5	5	5	5	5
Total Number of Employees	10	10	10	10	10
Monthly Total Premium	\$11,524.64	\$13,246.16	\$11,986.81	\$11,989.42	\$12,472.78
Annual Total Premium	\$138,295.68	\$158,953.92	\$143,841.72	\$143,873.04	\$149,673.36
Compared To		Current	Current	Current	Current
Annual Change (%)		14.94%	4.01%	4.03%	8.23%
Annual Change (\$)		\$20,658.24	\$5,546.04	\$5,577.36	\$11,377.68



West MI Partners tiered network plan

An ideal network solution for employers with employees
who work and live in West and Southwest Michigan

A tiered network offering great care at a great price

West MI Partners gives you and your employees the opportunity to save more on premiums and out-of-pocket costs simply by receiving care in the preferred Tier 1 network of doctors and hospitals.

How does a tiered network work?

Providers are separated into two tiers: Tier 1 and Tier 2. We partner with our Tier 1 providers to lower member costs. If employees choose care through a Tier 1 provider, they'll benefit from lower coinsurance, copays and deductibles.

Employees will still have access to the entire Priority Health network in Tier 2. However, if they choose to receive care outside of the Tier 1 network, they will have a higher cost share.

All Tier 1 and 2 providers meet our rigorous quality standard and share our commitment to care management and coordination.

Receive the same quality care at a more competitive price

West MI Partners is an ideal solution for price-sensitive groups with employees who live and work in one of the following counties in West or Southwest Michigan:

Small group eligible counties

- Allegan¹
- Barry
- Calhoun²
- Kalamazoo
- Kent
- Lake
- Mason
- Mecosta
- Montcalm
- Newaygo
- Osceola
- Ottawa
- Van Buren

Large group eligible counties

- Allegan¹
- Barry
- Calhoun²
- Ionia
- Kalamazoo
- Kent
- Lake
- Mason
- Mecosta
- Montcalm
- Muskegon
- Newaygo
- Oceana
- Osceola
- Ottawa
- Van Buren



Why choose a tiered network?

A tiered network can help employers save on premiums and help employees save on out-of-pocket costs—all by utilizing the selected Tier 1 provider network.

Small group compatible plan designs

- PriorityClassic
- PriorityHSA

Large group compatible plan designs

- Copay Aligned
- Tiered Copay
- Traditional Copay
- PriorityHRA
- PriorityHSA
- PriorityValue

If an employer offers a West MI Partners plan, they must select all West MI Partners products from the product menu. Exceptions can be made for groups that have employees outside the multi-county region. Those groups may offer other Priority Health full network products according to underwriting guidelines, but those full network products are only available to employees living outside of the multi-county service area.

¹Except 49010 zip code

²Calhoun County ZIP codes included in service area: 49011, 49014, 49015, 49017, 49021, 49029, 49033, 49034, 49037, 49051, 49052, 49068, 49076, 49092, 49094. Calhoun County ZIP codes not included in service area: 49224, 49237, 49245, 49252, 49284

Tier 1

- Corewell Health in West Michigan¹, University of Michigan Health–West, Holland Hospital and Bronson Healthcare² and providers with admitting privileges to these facilities
- Orthopedic Associates of Michigan
- Mary Free Bed Rehabilitation Hospital
- Pine Rest Christian Mental Health Services
- Forest View Hospital
- Unaffiliated ancillary providers such as physical therapists, social workers and skilled nursing facilities
- All in-network pharmacies
- Emergency services

Tier 2

- All non-Tier 1 providers currently covered under the Priority Health network.

Out-of-network

- With an HMO tiered-network solution, only services performed within the Priority Health HMO network are covered. With a POS tiered-network solution, services within or outside of the Priority Health network are covered.



Search for Providers

Check Find A Doctor at **priorityhealth.com** and choose **West MI Partners**, then search for a provider to see if they are Tier 1.

Certainty in your network

Our goal is to ensure all members enrolled in West MI Partners understand how and where to receive high quality, affordable care. Members receive onboarding material such as a quick start guide, emails, and information on their member ID cards indicating their plan as a West MI Partners plan.



Learn more

Talk to your independent agent or Priority Health representative today.

¹With the exception of Corewell Health in Southwest Michigan, formerly Spectrum Health Lakeland

²Bronson Healthcare will be moving to Tier 2 starting January 1, 2026