



City Council Agenda Item Report

FROM: Ryan Cummins, City Manager
Nicole Bredeweg, Treasurer/Finance Officer

MEETING DATE: June 22, 2026

SUBJECT: Employee Health Insurance Benefits for FY 26-27

DESCRIPTION:

The City's employee health insurance agent, Gallagher Benefit Services LLC, has provided renewal information and plan options for employee health insurance coverage for the upcoming fiscal year.

The quote to renew the City's current Priority Health plans would result in an 11.91% increase, which equates to an annual increase of \$18,359.04. Total annual premium would increase from \$154,145.92 to \$172,504.96.

The City currently offers multiple Priority Health plan options, including both traditional HMO and high-deductible HSA-qualified plans. Staff reviewed the renewal information and evaluated the available options, including the impact to the City, the impact to employees, plan design changes, deductible and out-of-pocket exposure, prescription coverage, and overall competitiveness of the City's benefits package.

The City currently pays 100% of the employee premium for health insurance. This benefit remains an important part of the City's employee retention and recruitment strategy, particularly in a competitive municipal employment environment.

REVIEW PROCESS

Staff reviewed the renewal options and compared the available plans against the City's current employee needs and overall benefit structure. In staff's opinion, while cost savings were considered, the available alternatives did not provide enough savings to justify significant disruption to employees or a major reduction in the City's benefit offering.

Staff also reviewed the City's Health Savings Account contribution for employees enrolled in the high-deductible health plan. The City currently contributes \$2,500 annually to eligible employee HSAs. In order to maintain the value of this benefit and help offset employee exposure under the high-deductible plan, staff recommends increasing the City's annual HSA contribution to \$2,600.

RECOMMENDATION

Staff recommends renewing the City's employee health insurance coverage as presented and increasing the City's annual HSA contribution from \$2,500 to \$2,600 for eligible employees enrolled in the high-deductible health plan.

BUDGET ACTION:

None at this time.

LEGAL REVIEW:

None at this time.

SAMPLE MOTION:

Motion to approve the employee health insurance renewal as presented and to increase the City's annual Health Savings Account contribution for eligible employees enrolled in the high-deductible health plan from \$2,500 to \$2,600 for FY 26-27.



2026 - 2027

Health Insurance Recommendation

Nicole Bredeweg

EMPLOYEE HEALTH INSURANCE RENEWAL FY 2026-2027 RECOMMENDATION:

- Renew the existing employee health insurance plan structure.
- Continue offering both low-deductible and HSA-eligible plan options.
- Increase the City's annual HSA contribution from \$2,500 to \$2,600.

Last year was the larger decision point. This year's recommendation is to maintain the structure that was put in place and avoid unnecessary disruption to employees.

WHAT CHANGED LAST YEAR

FY 2025-2026 PLAN STRUCTURE:

- The City moved from the prior plan structure to a menu of options.
 - Employees in partner counties were offered West Michigan Partners plan options.
 - Employees outside partner counties were offered non-partner plan options.
- HSA-eligible high-deductible options were added.
- The goal was to manage cost increases while preserving competitive benefits.

Last year's change helped reduce the projected cost increase while maintaining strong employee benefits. It also gave employees more choice based on their own needs.

CURRENT EMPLOYEE ELECTIONS:

- 2 employees: low-deductible West Michigan Partners
- 1 employee: low-deductible non-West Michigan Partners
- 7 employees: high-deductible West Michigan Partners
- 2 employees: waived coverage

The elections show that the plan menu is being used in a balanced way. Most employees selected the HSA-eligible plan, but the lower-deductible options remain important for employees whose circumstances make that plan a better fit.

REVIEW PROCESS:

- Compared plan offerings for both City cost and employee impact
- Evaluated whether changes to the current plan structure would produce meaningful savings
- Considered whether potential savings justified employee disruption
- Determined that renewal of the existing plan structure best balances cost control, employee choice, and benefit stability

RECOMMENDATION:

- Renew existing plan offerings.
- Maintain benefit stability for employees.
- Support retention and recruitment.
- Avoid unnecessary annual disruption.
- Budget includes the anticipated increase.
- Increase HSA contribution from \$2,500 to \$2,600 to offset the increase in deductible.

CONCLUSION:

The recommendation this year is not to make another major structural change. Last year, the City made the larger adjustment to its health insurance offerings in order to manage cost increases while still providing a competitive benefit package. This year, staff is recommending renewal of that same structure.

Maintaining the current plan options supports employee retention, reduces disruption, and helps preserve trust in the City's benefit offerings. The proposed HSA contribution increase is modest and is intended to help offset the deductible increase for employees who selected the high-deductible plan.



**Any
questions?**

	CURRENT	RENEWAL	RENEWAL OPTION 1	RENEWAL OPTION 2	RENEWAL OPTION 3
Carrier Name	PriorityHealth	PriorityHealth	HAP	PriorityHealth	HAP
Plan Name	PriorityHMO Gold G10 - West MI Partners	PriorityHMO Gold G10 - West MI Partners	HAP HMO Gold B15	Gold G15 - West MI Partners	HAP HMO Gold B1
Plan Type	HMO	HMO	HMO	HMO	HMO
Network					
PLAN DESIGN*					
In-Network Benefits					
Deductible Type	Embedded	Embedded	Embedded	Embedded	Embedded
Calendar Year (CY) Deductible (Individual/Family)	\$1,000 / \$2,000	\$1,000 / \$2,000	\$1,500 / \$3,000	\$1,500 / \$3,000	\$1,000 / \$2,000
Out-of-Pocket Max Type	Embedded	Embedded	Embedded	Embedded	Embedded
	\$8,150 / \$16,300	\$8,700 / \$17,400	\$8,200 / \$16,400	\$9,200 / \$18,400	\$8,200 / \$16,400
CY Out-of-Pocket Max (Individual/Family)	Co-Insurance maximum: \$4,500 / \$9,000	Co-Insurance maximum: \$4,500 / \$9,000	Co-Insurance maximum: \$4,000 / \$8,000	Co-Insurance maximum: \$4,500 / \$9,000	
Coinsurance (member pays after deductible)	20%	20%	20%	20%	20%
Preventive Care	Covered 100%	Covered 100%	Covered 100%	Covered 100%	Covered 100%
Primary Care Visit	\$20	\$20	\$35	\$20	\$35
Specialist Visit	\$50	\$60	\$60	\$60	\$60
Virtual Visits	\$10	\$10	Covered 100%	\$10	Covered 100%
Urgent Care	\$85	\$85	\$65	\$85	\$65
Emergency Room	\$250	\$350	\$300	\$350	\$300
	(Copay waived if admitted)	(Copay waived if admitted)	(Copay waived if admitted)	(Copay waived if admitted)	(Copay waived if admitted)
Inpatient Hospital	20% After Ded	20% After Ded	20% After Ded	20% After Ded	20% After Ded
Outpatient Surgery	20% After Ded	20% After Ded	20% After Ded	20% After Ded	20% After Ded
Diagnostic Test (X-ray, blood work)	Lab: \$35 Radiology: \$75 Inpatient: 20% After Ded	Lab: \$35 Radiology: 20% After Ded	\$30	Lab: \$35 Radiology: 20% After Ded	3000%
Imaging (CT/PET scan, MRI)	\$250 / Service	\$300 / Service	20% After Ded	\$300 / Service	20% After Ded
Prescription Drug Benefit					
Retail					
Tier I / Tier II / Tier III	\$5 / \$35 / \$75 / \$90	\$5 / \$35 / \$75 / \$90	\$5 / \$25 / \$40 / \$80	\$5 / \$35 / \$75 / \$85	\$5 / \$25 / \$40 / \$80
Specialty	20% Up to \$250; 20% Up to \$450	20% Up to \$250; 20% Up to \$450	20% Up to \$200; 50% Up to \$500	20% Up to \$250; 20% Up to \$450	20% Up to \$200; 50% Up to \$500
Out-of-Network Benefits					
Deductible Type					
CY Deductible (Individual / Family)					
Out-of-Pocket Max Type	Not covered	Not covered	Not covered	Not covered	Not covered
CY Out-of-Pocket Max (Individual / Family)					
Coinsurance (member pays after deductible)					
COST ANALYSIS					
PEPM Rates	PriorityHMO Gold G10 - West MI Partners	PriorityHMO Gold G10 - West MI Partners	HAP HMO Gold B15	Gold G15 - West MI Partners	HAP HMO Gold B1
Estimated Monthly Premium	\$2,540.84	\$2,858.34	\$2,773.27	\$2,786.72	\$2,840.71
Estimated Annual Premium	\$30,490.08	\$34,300.08	\$33,279.24	\$33,440.64	\$34,088.52
Dollar Difference		\$3,810.00	\$2,789.16	\$2,950.56	\$3,598.44
Percent Change		12.50%	9.15%	9.68%	11.80%
PLAN PROVISIONS					
Rate Guarantee	Current	12 months	12 months	12 months	12 months

		CURRENT	RENEWAL	RENEWAL OPTION 1	RENEWAL OPTION 2	RENEWAL OPTION 3
Carrier Name		PriorityHealth	PriorityHealth	PriorityHealth	HAP	Blue Care Network
Plan Name		PriorityHSA HMO Gold G16 - West MI Partners	PriorityHSA HMO Gold G17- West MI Partners	PriorityHSA HMO Silver S23 - West MI Partners	HAP HMO Gold HSA D3	BCN HSA PCP Focus Gold Option 3
Plan Type		HMO	HMO	HMO	HMO QHDHP	HMO
Network						
PLAN DESIGN*						
In-Network Benefits						
Deductible Type		Aggregate	Aggregate	Aggregate	Embedded	Aggregate
Calendar Year (CY) Deductible (Individual/Family)		\$1,650 / \$3,300	\$1,700 / \$3,400	\$2,300 / \$4,600	\$3,000 / \$6,000	\$3,400 / \$6,800
Out-of-Pocket Max Type		Embedded	Embedded	Embedded	Embedded	Aggregate
CY Out-of-Pocket Max (Individual/Family)		\$4,500 / \$9,000	\$5,000 / \$10,000	\$8,200 / \$16,400	\$4,500 / \$9,000	\$3,400 / \$6,800
Coinsurance (member pays after deductible)		20%	20%	30%	30%	0%
Preventive Care		Covered 100%	Covered 100%	Covered 100%	Covered 100%	Covered 100%
Primary Care Visit		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Specialist Visit		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Virtual Visits		\$10 After Ded	\$10 After Ded	\$10 After Ded	30% After Ded	Covered 100%
Urgent Care		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Emergency Room		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Inpatient Hospital		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Outpatient Surgery		20% After Ded	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Diagnostic Test (X-ray, blood work)		Lab: \$35 Radiology: \$75 Inpatient: 20% After Ded \$250 / Service	20% After Ded	30% After Ded	30% After Ded	Covered 100%
Imaging (CT/PET scan, MRI)			20% After Ded	30% After Ded	30% After Ded	Covered 100%
Prescription Drug Benefit						
Retail						After Ded
Tier I / Tier II / Tier III		\$5 / \$35 / \$65 / \$85 (After Ded)	\$5 / \$35 / \$65 / \$85	\$5 / \$35 / \$80 / \$125	\$5 / \$30 / \$50 / \$80	\$0
Specialty		20% After Ded Up to \$250; 20% After Ded Up to \$450	20% After Ded Up to \$250; 20% After Ded Up to \$450	20% After Ded Up to \$350; 20% After Ded Up to \$550	20% Up to \$200; 50% Up to \$500	\$0
Out-of-Network Benefits						
Deductible Type						
CY Deductible (Individual / Family)						
Out-of-Pocket Max Type		Not covered	Not covered	Not covered	Not covered	Not covered
CY Out-of-Pocket Max (Individual / Family)						
Coinsurance (member pays after deductible)						
COST ANALYSIS						
PEPM Rates	Enrollment	PriorityHSA HMO Gold G16 - West MI Partners	PriorityHSA HMO Gold G17-West MI Partners	PriorityHSA HMO Silver S23 - West MI Partners	HAP HMO Gold HSA D3	BCN HSA PCP Focus Gold Option 3
Estimated Monthly Premium		\$6,486.34	\$7,411.86	\$6,603.04	\$7,140.91	\$7,372.74
Estimated Annual Premium		\$77,836.08	\$88,942.32	\$79,236.48	\$85,690.92	\$88,472.88
Dollar Difference			\$11,106.24	\$1,400.40	\$7,854.84	\$10,636.80
Percent Change			14.27%	1.80%	10.09%	13.67%
PLAN PROVISIONS						
Rate Guarantee		Current	12 Months	12 Months	12 Months	12 Months

	CURRENT	RENEWAL	RENEWAL OPTION 1
Carrier Name	PriorityHealth	PriorityHealth	PriorityHealth
Plan Name	PriorityHMO Gold G10	PriorityHMO Gold G10	PriorityHMO Gold G15
Plan Type	HMO	HMO	HMO
Network			
PLAN DESIGN*			
In-Network Benefits			
Deductible Type	Embedded	Embedded	Aggregate
Calendar Year (CY) Deductible (Individual/Family)	\$1,000 / \$2,000	\$1,000 / \$2,000	\$1,500 / \$3,000
Out-of-Pocket Max Type	Embedded	Embedded	Aggregate
CY Out-of-Pocket Max (Individual/Family)	\$8,150 / \$16,300 Co-Insurance maximum: \$4,500 / \$9,000	\$8,700 / \$17,400 Co-Insurance maximum: \$4,500 / \$9,000	\$9,200 / \$18,400 Co-Insurance maximum: \$4,500 / \$9,000
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Prescription Drug Benefit			
Retail			
Tier I / Tier II / Tier III	\$5 / \$35 / \$75 / \$90 20% Up to \$250; 20% Up to \$450	\$5 / \$35 / \$75 / \$90 20% Up to \$250; 20% Up to \$450	\$5 / \$35 / \$75 / \$85 20% Up to \$250; 20% Up to \$450
Specialty			
Out-of-Network Benefits			
Deductible Type			
CY Deductible (Individual / Family)			
Out-of-Pocket Max Type	Not covered	Not covered	Not covered
CY Out-of-Pocket Max (Individual / Family)			
Coinsurance (member pays after deductible)			
COST ANALYSIS			
PEPM Rates	PriorityHMO Gold G10	PriorityHMO Gold G10	PriorityHMO Gold G15
Estimated Monthly Premium	\$1,859.98	\$2,146.88	\$2,093.45
Estimated Annual Premium	\$22,319.76	\$25,762.56	\$25,121.40
Dollar Difference		\$3,442.80	\$2,801.64
Percent Change		15.42%	12.55%
PLAN PROVISIONS			
Rate Guarantee	Current	12 Months	12 Months