BENBROOK WATER AUTHORITY

Staff Report

Meeting Date

November 29, 2022

New Business Item #4

Subject

Employee Medical Insurance Benefits (2023)

Recommendation

Staff recommends the Board of Directors approve the provision of the Copay plan to be provided by UHC for the 2023 calendar year as presented and described.

Background/Analysis

Staff has been working for several years to move all the Authority's group health insurance benefits to a calendar-year plan year rather than the current October 1 – September 30 plan year. In 2021, BWA was able to move the flexible spending arrangement plan, as well as the group dental, vision, short-term disability, and long-term disability plans to calendar year plans, but was unable to move the group medical plan to a calendar year plan at the same time. While the group medical plan has remained an October 1 to September 30 plan, BWA Staff has been investigating the possibility of moving it to a calendar year plan as previously discussed with the Board.

At BWA's request, HUB (BWA's Agent) requested a quote from UHC for plans with a 1/1/2023 effective date. UHC's response included plans very similar to our current plans. Key considerations include:

1. The proposed Copay plan has a slightly higher deductible ($4,000 instead of $3,500). The premium difference between this plan and our current plan is approximately 1.4%.
2. The proposed HSA plan has a slightly higher maximum out-of-pocket ($6,500 instead of $6,000) than our current HSA plan. Additionally, the premiums for the proposed HSA plan are approximately 15.6% higher than current HSA premiums and are almost identical to the premiums for the proposed Copay plan.
   - Because the HSA plan previously resulted in a savings to BWA over the Copay plan, BWA had previously based its HSA contribution on the premium difference between the Copay plan and the HSA plan. With the proposed HSA plan, there are no significant premium savings on which to base a BWA contribution. As such, there would be no benefit to BWA in offering both plans, and with the increase in premiums to employees, little incentive for employees to remain on the HSA plan.

BWA has a couple of options regarding the UHC proposal:

1. Decline the proposal and continue with the current medical plan and plan year (October 1 to September 30). This option continues to make budgeting difficult and does not align the plan year with the deductible year and BWA's fiscal year.
2. Accept the UHC proposal for the Copay plan only and not offer an HSA plan. The budget impact to BWA for this option is approximately $15,000 for 2023. This option will align the medical insurance plan year with BWA's fiscal year and with the deductible year.

There are three significant benefits to having the medical plan year equal the calendar year:

1. BWA's fiscal year is also the calendar year so budgeting for group medical insurance expenses would be simpler and more precise; and

2. The deductible year for the medical plan (regardless of the plan year start date) is always the calendar year, which can be confusing for many employees and their covered dependents; and
3. It will align the medical plan year with the rest of the group health benefits offered to employees and make the open enrollment process less complicated.

Given that this most recent proposal does not include our current plans, Staff do not anticipate our current plans to be available when otherwise time to renew in September. There is also the potential for the premiums to be higher than the 1.4% (Copay plan) and 15.6% (HSA plan) increases in the current proposal.

Give the deductible year will start over on January 1, 2023, Staff believe this is an optimal time to make this plan change and recommend the acceptance of the Copay plan proposal from UHC (with a start date of January 1, 2023).

Financial Impact

The budget impact to BWA for this option is estimated to be approximately $15,000 for 2023 and is accounted for in the proposed operating budget for 2023.