

AUGUST 4, 2022

A REGULAR MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON THURSDAY, AUGUST 4, 2022, IN THE HELEN KLEBERG GROVES COMMUNITY ROOM, 400 WEST KING AVENUE, KINGSVILLE, TEXAS AT 5:00 P.M.

CITY COMMISSION PRESENT:

Sam R. Fugate, Mayor
Hector Hinojosa, Mayor Pro-Tem
Norma N. Alvarez, Commissioner
Edna Lopez, Commissioner
Ann Marie Torres, Commissioner

CITY STAFF PRESENT:

Mark McLaughlin, City Manager
Mary Valenzuela, City Secretary
Courtney Alvarez, City Attorney
Kyle Benson, IT Manager
Derek Williams, IT
Ricardo Torres, Police Chief
Emilio Garcia, Health Director
Deborah Balli, Finance Director
Charlie Sosa, Purchasing Manager
Rudy Mora, Engineer
Diana Gonzales, Director of Human Resources
David Solis, Risk Manager
Bill Donnell, Public Works Director

I. Preliminary Proceedings.

OPEN MEETING

Mayor Fugate opened the meeting at 3:00 p.m. with all five City Commission members present.

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

The invocation was delivered by Ms. Courtney Alvarez, City Attorney, followed by the Pledge of Allegiance and the Texas Pledge.

MINUTES OF PREVIOUS MEETING(S)

None.

II. Public Hearing - (Required by Law).¹

None.

III. Reports from Commission & Staff.²

“At this time, the City Commission and Staff will report/update on all committee assignments which may include, but is not limited to, the following: Planning & Zoning Commission, Zoning Board of Adjustments, Historical Board, Housing Authority Board, Library Board, Health Board, Tourism, Chamber of Commerce, Coastal Bend Council of Governments, Conner Museum, Keep Kingsville Beautiful, and Texas Municipal League. Staff reports include the following: Building & Development, Code Enforcement, Condemnation Update, Proposed Development Report; Accounting & Finance – Financial & Investment Information, Investment Report, Quarterly Budget Report, Monthly Financial Reports, Utilities Billing Update; Police & Fire Department – Grant Update, Police & Fire Reports; Streets Update; Public Works; Landfill Update, Building Maintenance, Construction Updates; Park Services - grant(s) update, miscellaneous park projects, Emergency Management, Administration –Workshop Schedule, Interlocal Agreements, Public Information, Health Department, Hotel Occupancy Report, Quiet Zone, SEP, Legislative Update, Proclamations, Employee Recognition, Health Plan Update, Tax Increment Zone Presentation, Main Street Downtown, Chapter 59 project, Financial Advisor, Wastewater Treatment Plant, Water And Wastewater Rate Study Presentation, Golf Course, Library Summer Programs, Grants Update. No formal action can be taken on these items at this time.”

Ms. Courtney Alvarez, City Attorney reported that the next scheduled City Commission meeting will be on August 8, 2022, at 5:00 p.m. She further announced that there are also several scheduled budget workshops, August 15, 2022, at 4:00 p.m.; August 22, 2022, with the budget workshop beginning at 3:00 p.m. to 5:00 p.m. and regular meeting beginning at 5:00 p.m.; and August 23, 2022, at 4:00 p.m.

IV. Public Comment on Agenda Items.³

1. Comments on all agenda and non-agenda items.

V. Consent Agenda

Notice to the Public

The following items are of a routine or administrative nature. The Commission has been furnished with background and support material on each item, and/or it has been discussed at a previous meeting. All items will be acted upon by one vote without being discussed separately unless requested by a Commission Member in which event the item or items will immediately be withdrawn for individual consideration in its normal sequence after the items not requiring separate discussion have been acted upon. The remaining items will be adopted by one vote.

CONSENT MOTIONS, RESOLUTIONS, ORDINANCES, AND ORDINANCES FROM PREVIOUS MEETINGS:

(At this point the Commission will vote on all motions, resolutions, and ordinances not removed for individual consideration)

1. None.

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

1. Conduct a workshop regarding Health Insurance Plan, requests for proposal, and options for upcoming fiscal year. (City Manager).

Mr. Mark McLaughlin, City Manager stated that this upcoming budget has been challenging due to some parts that are out of the staff's control. The city received the tax rates from the County on Wednesday, August 3, 2022. Staff continues to work on the upcoming fiscal year budget with one of the big pieces to the budget being medical insurance. He further stated that he asked staff to go out for Request for Proposals (RFPs) to see if there was any other company that was better than what we currently already have. Staff received six proposals with some only wanting to do part of the insurance for the city and others wanting to do the entire package requested. Quotes from Entrust, TML (Blue Cross Blue Shield) were pulled by TML, and United Healthcare. The quote received from Entrust increased by \$339,000 for next year. United Healthcare provided the city with one set of numbers that were in favor of the city. Mr. McLaughlin further commented that self-insurance has two problems that he is concerned about, an unsustainable plan and putting a significant risk on the city. As there are 240 employees on the plan and with all of them being insured by the city, with the city budget, with up to \$100,000 in claims for every single employee, and if the city has a few too many claims, it can bankrupt the city. It goes over a \$100,000 claim, Stop Loss kicks in, and the city has another provider that will charge for that fee. He further stated that there are six to eight individuals who are above \$100,000. The city has some individuals who have claimed significant amounts of policy adjustments throughout the last few years. He further stated that the current carrier, Entrust, has stated that these individuals can not be at \$100,000 any longer and the city would need to assume their risk and the individuals will be raised to \$250,000. This makes the city responsible before stop-loss kicks in. It has been stated that for the upcoming fiscal year, the stop loss will add a few more individuals to it and increase them to \$350,000 per person.

Commissioner Hinojosa asked if the city would be self-insured. Mr. McLaughlin responded yes, it is fully insured through United Healthcare if the Commission chooses to go that route, which will remove all the risk from the city.

Mrs. Diana Gonzales, Human Resources Director stated that the marketing response was for the response to the RFP's, 90 Degree Benefits with a 10% increase; Maestro Health provided a TPA quote only; United Healthcare fully insured quoted; Deer Oaks EAP services only; and Ameriflex spending account administration. Switching from 90 Degree benefits to United Healthcare can save the city almost 10%. The city would introduce three medical plans for employees to choose from with three different networks, PPO, EPO, and HMO. It will have enhanced network access to traditional health plans and be more relevant to the industry standard. The city's current plan estimated annual premium is \$3,502,108.44. The renewal, with 90 Degree for the upcoming fiscal year is priced at \$3,842,099.28, which has an increase of 10% for a total of \$339,990.84, this is the expected cost and not to maximum funding. Mrs. Gonzales stated that the city, over the last couple of years, the city had done a bit more than expected but less than maximum as the city has not been able to afford it. The three different options with United Healthcare, Option 4 is Choice Plus (PPO), Option 5 is Choice Plan (EPO), and Option 6 is Navigate Plan (HMO). It was further stated that United Healthcare has provided many options for the insured, from 70% co-insurance to 100% co-insurance and with many different deductibles. Mrs. Gonzales commented that these options are overall better than what the city currently has. Under the United Healthcare plan, there is an individual deductible of \$250. Once that individual reaches its deductible of \$250 for the year they are done with that deductible, everything else gets applied to their maximum out-of-pocket. The maximum out-of-pocket for an

individual is \$1,750. Once they reach \$1,750 per year everything else is covered such as co-pays and medication. The family plan is \$500 per year, which at this time the current plan has a \$350 per month deductible. The family unit is \$500 but with individuals such as an employee and spouse, each one would have to reach the \$250 deductible. If the spouse reaches it, anything after will go towards their maximum out of pocket with the other individual on the plan having their \$250 deductible with everything else going to the maximum out of pocket. The family unit is \$3,500 and once they reach that threshold, annually, everything else will be covered. Mrs. Gonzales further stated that under the United Healthcare option, if there is a child, unsure of the age, who goes to the doctor it pays \$0 deductible, and on the current plan pays \$25. Deductibles for United Healthcare PPO Plan are \$20 for a primary care visit; \$20 to \$40 for a specialist visit, virtual visit \$0; urgent care \$75; preventive care \$100% covered; diagnostic test PCP Co-pay; advanced imaging deductible/100%; and surgical procedures deductible/100%. This is the most expensive plan of the three options.

Mayor Fugate commented that one concern that he has is that if an individual is out of state and has an accident and the individual needs to go to the emergency room, that individual will be out of network.

Mrs. Gonzales stated that under the PPO Plan, there are no restrictions. The HMO Plan, which is the least expensive plan, the network provider is United Healthcare the network for that is Navigate HMO and has a gatekeeper. With HMO the individual must have a Primary Care Provider (PCP). If it is required that an individual needs to see a specialist, it has to go through their primary care. HMO is only in Texas, unless of an emergency; there is emergency care outside the state of Texas. The EPO Plan will allow you to go to any network provider anywhere in the United States, that is under United Healthcare. The PPO Plan will allow the individual to go with any provider whether they are a network provider or not, with different co-insurance if the individual goes outside the network. Mrs. Gonzales further stated that with the current plan, if an individual goes outside of the network for an emergency outside the Christus Spohn Network, the individual would be covered for an emergency, but there would have to be some type of negotiation on the cost, plus the individual would be responsible for balance billing if they go outside the Christus Spohn Network. She further explained that under the three different options, HMO requires a PCP noted, and under the EPO Plan and PPO Plan, a PCP does not have to be noted. For referrals, referrals are required under the HMO Plan through your PCP. Under the other two options, EPO and PPO, no referral is required. Mrs. Gonzales stated that in the current plan, which is a PPO Plan, a specialist will usually see an individual unless they are referred by their PCP. With the new plan options, prior authorizations for procedures will still be required. Deductibles under all three options HMO, EPO, and PPO are under the advanced imaging, surgical procedures, inpatient hospital, out-patient copay, then deductible, then co-insurance could apply depending on plan design. Emergency room with no admissions, depending on the different types of plans, you may have a co-pay then a deductible, and coinsurance. Mrs. Gonzales stated that the co-insurance on all the plans is 100%. After someone meets its deductible or family deductible, then it's covered at 100%. In hospital admissions, under all three plans, there is a deductible and co-insurance which is 100%. Under the three plans, there are two pharmacy exclusions CVS and Target. Mrs. Gonzales stated that something the employee will need to consider while making a selection is what is right for them. Under an HMO, comfortable choosing a Primary Care Provider (PCP) to coordinate your health care and pay higher max out of pocket to get lower monthly premiums. HMOs have lower premiums than an EPO or PPO. Under an EPO plan, lower monthly premiums than a PPO. More flexibility than an HMO. No out-of-network coverage but a large National Network. Under the PPO plan, higher monthly premiums get more choice and flexibility in choosing a physician and health care options. Largest National Network and includes out-of-network benefits, subject to separate deductible, coinsurance, max out-of-pocket, and limitations. Mrs. Gonzales stated that the HMO is a Health Maintenance Organization Plan, EPO is an Exclusive Provider Organization Plan, and PPO is a Preferred Provider Organization Plan. Using the different classifications of employees that are on the current plan and calculating the different options presented, United Health premiums with no contributions from the existing health fund the total cost under HMO is \$3.1 million, that would be employer/employee for the plan. The EPO total cost is \$3.7 million, and the PPO total cost is \$3.9 million. Currently, the employee is paying 10% of the premiums with the city paying 90%. If the city keeps the same premise with an exception, if someone selects HMO as an employee only the city will pay all the premiums for that employee. If they choose HMO with employee/child it would cost \$55.66 per month, employee/spouse, \$100.75 per month, and employee/family will pay \$134.70 per month. The difference from what we are paying now on the current plan is much more than these new plans. Under the EPO plan, the cost for employees only is \$79.46 per month, employee/child \$143.82 per month, employee/spouse \$192.92 per month, and employee/family \$264.59 per month. Under the PPO plan, the cost for employee only is \$104.92 per month, employee/child \$189.91 per month, employee/spouse \$253.92 per month, and employee/family \$349.40 per month.

Depending on what plan the employee chooses, the employee premium contribution would range from \$175,000 to \$596,000. For employer funding under an HMO plan, the city would expend \$2.9 million, the EPO plan would expend \$3.3 million, and the PPO plan would expend \$3.380. The total plan cost for HMO is \$3.1 million, EPO \$3.7 million, and PPO \$3.9 million; these are employer/employee contributions.

Mr. McLaughlin commented that one thing he and Mrs. Gonzales discussed was that, unlike the current insurance, all employees are placed into one plan with no other options. These new options being presented would allow the employee to choose which of the three options works best for them and their families. He further stated that using the 240 employees that are on the current plan, if all 240 employees are placed into an HMO plan, it would cost the city \$3.1 million. If all were placed under the PPO plan it would cost \$3.9 million. What staff believes will happen with the three options being presented, the majority of the employees will choose the HMO, with a smaller number of employees splitting between the EPO or PPO plan. He further stated that the budget will be somewhere in the range of \$3.1 million to \$3.9 million, which is significantly less than what would be paid next year which is over \$4 million.

Mrs. Gonzales stated that one thing with the HMO plan is that it is a lower cost as it has a higher max out of pocket. The deductibles are the same but for an individual max out of pocket is \$6,350 with a family at \$12,700. This is one of the major differences between an HMO plan compared to an EPO and a PPO plan. With the current plan, the max out of pocket is \$350 times 12. Because the city has a healthy fund balance under the health fund, and because there are claims that will be pending and maybe some high dollar claims coming in, the health fund balance is at \$2.7 million.

Mr. McLaughlin stated that the health fund balance is at \$2.7 million, but if there are claims that will continue for the next 10 to 12 months, it can be said that the fund balance is at \$2 million. The recommendation for this money is to have the city roll in some of this fund balance towards the overall cost of the plan. If the city contributed \$300,000 towards the entire plan.

Commissioner Hinojosa asked if staff would know the lump sum that will be taken from the fund balance. Mr. McLaughlin responded that it would be \$300,000. Commissioner Hinojosa further asked if there will be pending claims once the plan is terminated, staff will not know that dollar amount.

Mr. McLaughlin responded that he doesn't think it will be more than \$700,000, once all the claims are paid. He further stated that if you have \$2 million leftover in the fund balance, it would be great to give it back to the employees that paid into it and to the city that collected the taxes on it.

Mrs. Gonzales stated that the city's consultant will be working on giving the city a projection on what the city would have to pay and for how long. There will still be claims administration and claims that are a few months behind before they hit Entrust. If the city pays \$300,000 from the health fund balance, it will reduce by \$75,000 from employee only, employee/child, employee/spouse, and employee/family. Reducing that amount by \$75,000 on each. Taking out the \$300,000, the HMO will be reduced to \$2.8 million from \$3.1 million, EPO at \$3.4 million from \$3.7 million and PPO would be reduced to \$3.6 million from \$3.9 million. The employee premiums every month will also be significantly reduced. Mrs. Gonzales further stated that the employee premiums savings and/or additional annualized with no contributions. If someone selected an HMO, employee only, they would have a savings of \$942 in premiums. If they choose EPO, employee only, they would be paying, over the year, \$11.48 and if they selected the PPO, over the year it would be at \$317.08. If the city decided to do the contribution of \$300,000, under the HMO it would remain the same and under the EPO the employee would see a savings of \$85.29 and under the PPO they would be paying \$196.11 more a year. The Entrust proposal currently is at \$3.8 million. The proposed expected is \$4.1 million and the funding to maximum exposure plus fixed costs is \$4.7 million. Mrs. Gonzales further stated that the employee contribution changes by remaining self-funded with Entrust as TPA with Total Plan Cost, if the city decided to make no changes and continue with the current plan, employees would be paying higher premiums per month.

Mr. McLaughlin commented that by continuing with the current plan, the cost increases more than anything that United Health Care offers. United Health Care also has a larger network base than the Spohn Network.

Mrs. Gonzales further stated that the pharmacy runs the same on each of the different plans, excluding the two pharmacies, CVS and Target. These plans do not go by generic, they go by Tiers 1, 2, and 3. Tier 1 medication is \$10, Tier 2 is \$50, Tier 3 is \$100, and specialty runs between \$10 to \$500. If an employee chooses a name-brand medication it will be 35% on the employee no matter the cost. Tier 1 may have some name-brand medications, but it may depend on if it is a maintenance brand name drug. She further stated that there are some name-brand medications in each of the Tiers.

Commissioner Hinojosa commented that there may be a misconception about, if someone goes to CVS or Walgreens they will get better prices than going to a smaller pharmacy.

Mrs. Gonzales stated that the cost of the medications is set rates, but they're not percentages. So long as the employee goes to a United Health Care pharmacy, they will pay \$10 for Tier 1 drugs. If the employee wants a name-brand medication, they will need to shop around, such as using GoodRx or calling the pharmacy for pricing, as the 35% will be different from one pharmacy to another.

Commissioner Torres asked if the GoodRx coupon could be used with any insurance.

Mrs. Gonzales stated that if they use the GoodRx, you will not be able to use the Tier price, only one can be used.

Commissioner Alvarez commented that in her experience with United Health Care, she is very pleased with their services.

Mr. McLaughlin commented that if the Commission approved, staff would like to give the option to the employee to choose which options work best for them and their family.

Mayor Fugate asked if it is the staff's recommendation to allow the employee to pick which option works best for them.

Mr. McLaughlin responded yes, allowing the employee to pick which option works best for them.

Mrs. Gonzales commented that if next year's premiums are increased, there will still be room to work with it.

The commissioners all commented that they agree in allowing the employees to pick which of the three options works best for them and their families.

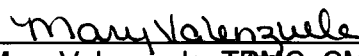
Mr. McLaughlin commented that this keeps us as close to what we have, but with options for the employee to pick from.

VI. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 3:03 P.M.


Sam R. Fugate, Mayor

ATTEST:


Mary Valenzuela, TRMC, CMC, City Secretary