



City of Biggs

Agenda Item Staff Report for the Regular City Council Meeting: February 10, 2015 6:30PM

DATE: February 10, 2015
TO: Honorable Mayor and Members of the City Council
FROM: Mark Sorensen, City Administrator
SUBJECT: Health Reimbursement Account

Council is asked to approve continuance of previously established health reimbursement account (HRA) to assist employees enrolled in PPO plans to cover potential deductibles and out-of-pocket costs above that which would have been experienced with an HMO plan.

Background

Non-bargaining unit employees enroll in PPO plans at much lower premiums but higher out-of-pocket costs than the HMO plan, saving the city and the employee premium expense. The City agreed to establish and fund an HRA to cover the employee's potential deductibles and out-of-pocket costs above those that would have been experienced with the HMO plan.

At the November 14, 2011 Council meeting, Council approved Resolution No. 2011-23 establishing the HRA, and starting its funding at \$24,000. \$4,000 is held in a non-interest bearing account for immediate use, the remainder of the funds are held in trust in a dividend-earning account for payment of health-related expenses. Monthly fees for \$7.50 (\$6 for admin and \$1.50 for the debit-type transaction card) being deducted from the HRA account.

The beginning balance of the HRA was \$24,000. With withdrawals, expenses and interest earned, the ending balance on December 31, 2014 was \$22,775.73. The city has made no contributions to the HRA since its inception.

Recommendation:

Approve the continuance of HRA.

Fiscal Impact of Recommendation:

City premium savings for participating employee in 2014-2015 will be \$2847. The maximum potential annual liability to the HRA is up to \$6,200 per participating employee, which represents the total possible annual out of pocket expense above the HMO Plan. However; actual experience and actual annual costs to the HRA per employee have averaged \$417 per year.