

Mayor and Council Communication

DATE: 08/13/24

M&C FILE NUMBER: M&C 24-0639

LOG NAME: 14ACTIVEBUDGETREAPPROPRIATIONFY2024

SUBJECT

(ALL) Adopt Appropriation Ordinances Increasing and Adjusting Appropriations in the Group Health Insurance Fund and Amend the Fiscal Year 2024 Adopted Budget for the Purpose of Funding Claims Expenses

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Group Health Insurance Fund in the amount of \$6,450,000.00, from anticipated projected revenues totaling \$6,450,000.00, for the purpose of funding claims expenditures;
 2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Group Health Insurance Fund in the amount of \$550,000.00 from fund balance, for the purpose of funding claims expenditures; and
 3. Amend the Fiscal Year 2024 Adopted Budget.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to adjust the final budget and authorize transactions to reflect actual performance of the Group Health Insurance Fund for the fiscal year ending September 30, 2024. Any amounts over budget must be appropriated by action of the City Council, in accordance with the City Charter (Chapter X, Section 5, Expenditures Only Pursuant to Appropriations).

The deficit in the Group Health Insurance Fund is due to the significant increase in active employee health claims costs for Fiscal Year (FY) 2024. The Group Health Insurance Fund saw an increase in claims of 32% from the same period in FY2023. The increase in claims cost is due to several factors including multiple high cost claimants with claims in excess of \$1,000,000.00. The City's pharmacy spend has increased as well, primarily due to an increase in use of GLP1 medications. Additionally, as is the case nationwide, inflation is impacting providers' offices and medical facilities causing the City's claims costs to rise.

The proposed FY2024 budget was based on claim estimates of the time. The Group Health Insurance Fund needs an additional \$7,000,000.00 in spending authority to continue to pay claims.

Additional revenues associated with stop-loss insurance reimbursement payments and pharmacy rebates are projected to be received in the amount of \$6,450,000.00, largely offsetting claims expenditures. An additional \$550,000.00 use of Net Position within the Group Health Insurance Fund will offset the remaining claims expenditures.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are currently available in the Net Position of the Group Health Insurance Fund, and upon approval of the above recommendations and the adoption of the attached appropriation ordinances, funds will be available in the General Operating and Maintenance category of the Group Health Insurance Fund. Prior to any expenditure being incurred, the Human Resource Department has the responsibility to validate the availability of funds.

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Additional Information Contact:

Expedited