

ORDINANCE NO. 177, 2024
OF THE COUNCIL OF THE CITY OF FORT COLLINS
MAKING A SUPPLEMENTAL APPROPRIATION OF ADDITIONAL
REVENUE RECEIVED IN THE BENEFITS FUND FOR THE
CITY'S MEDICAL, DENTAL, AND LIFE INSURANCE PLANS

A. The City's Benefits Plan is a self-funded health plan in which collection of premiums from both the employer and employees are recorded as revenue in the Benefits Fund to pay for plan administration, medical/dental claims, and insurance premiums. Accordingly, the Benefits team makes efforts to project out and budget for all benefit plan expenditures based on market cost trends of medical, dental, and pharmaceutical expenses, insurance premiums, and the projected number of subscribers to the plan. Forecasting these variables is required to calculate the amount of revenue the City will need to collect from both the employer and employees to meet the budgeted plan expenditures. This is accomplished during the Budgeting for Outcomes (BFO) process.

B. Evaluation of Medical and Dental plan performance through September 2024 demonstrates that the City has experienced higher claims activity than what was projected for the 2024 Benefits budget, resulting in a year-to-date overage in Dental claims of roughly \$170,000 and Life Insurance and Fire & Police Pension Association Insurance premiums of roughly \$296,000.

C. In addition, the Medical Plan has experienced a 100% increase in the number of high-dollar claimants (>\$100,000), with 23 active claimants. In a typical year, the plan would have only 10-13 high-dollar claimants. For this reason, there has been a year-to-date impact of over \$700,000 in unanticipated medical claims expenses.

D. The higher claims activity and insurance premiums have a direct correlation to the number of subscribers in the Benefits Plan, which has increased by approximately 6% (140 subscribers) over the last 1.5 years, as compared to a budgeted 2-3% subscriber growth. When this happens, the Plan collects enough premium revenue to cover the number of subscribers. The Plan is bound, however, by the original expenditure appropriation based on 2-3% subscriber growth, as was projected back in the first quarter of 2022 during the 2023-24 BFO process. As a result, the Benefits Fund has collected year-to-date unanticipated revenue of \$1,137,041 for Medical, Dental, and Life Insurance premiums.

E. Historically, both Medical and Dental plans experience higher claim expenses in Q4 resulting from participants reaching plan deductibles and scheduling procedures before year-end. The Benefits team budgets for this seasonal increase, and our projections are showing the plan will come very close to hitting budget. Given the impact of the number of high-dollar claimants and growth of subscribers, however, it is recommended that the excess \$1,137,041 in unanticipated Benefits Fund revenue be appropriated to cover any potential expenditure overages in the City's Medical, Dental and Life Insurance Plans. This appropriation would be a "self-funded" appropriation requiring no use of reserves.

F. Article V, Section 9 of the City Charter permits the City Council, upon recommendation of the City Manager, to make a supplemental appropriation by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriation, in combination with all previous appropriations for that fiscal year, do not exceed the current estimate of actual and anticipated revenues and all other funds to be received during the fiscal year.

G. The City Manager has recommended the appropriation described herein and determined that this appropriation is available and previously unappropriated from the Benefits Fund and will not cause the total amount appropriated in the Benefits Fund to exceed the current estimate of actual and anticipated revenues and all other funds to be received in this Fund during this fiscal year.

H. The City Council believes that the appropriation recommended by the City Manager is in the best interests of the City.

In light of the foregoing recitals, which the Council hereby makes and adopts as determinations and findings, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated from new revenue or other funds in the Benefits Fund the sum of ONE MILLION ONE HUNDRED THIRTY-SEVEN THOUSAND FORTY-ONE DOLLARS (\$1,137,041) to be expended in the Benefits Fund for the City's Medical, Dental, and Life Insurance Plans.

Introduced, considered favorably on first reading on December 3, 2024, and approved on second reading for final passage on December 17, 2024.

Mayor

ATTEST:

City Clerk

Effective Date: December 27, 2024

Approving Attorney: Aaron Guin