

Department of Employee Relations

Cavalier Johnson Mayor

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Molly King Employee Benefits Director

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Date: October 20, 2025

Subject: HRA Program Payout Projections and Long-Term Planning Consideration

Dear Finance and Personnel Committee

Per your request at the Department of Employee Relations Budget Hearing, I am providing an analysis of the projected costs of enhancements to the Health Reimbursement Arrangement (HRA) program. This analysis evaluates the impact of increasing Tier 1 and Tier 2 payouts by \$100 and the Tier 3 payout by \$150. These projections highlight both short-term impacts and the need for long-term strategic planning.

Summary of HRA Payout Scenarios based on Actual HRA Utilization in 2024

	Act	ual HRA Utilizatio	n in 2024	
	No. Participants	Tier Payouts	2024 Payouts by Tier	
Tier 1	842	\$150	\$126,300	
Tier 2	954	\$250	\$238,500	
Tier 3	1528	\$350	\$534,800	
	3324		\$899,600	
	Senarios base	d on F&P Request	using 2024 Actuals	
	No. Participants	Tier Payouts	2024 Payouts by Tier	
Tier 1	842	\$250	\$210,500	
Tier 2	954	\$350	\$333,900	
Tier 3	1528	\$500	\$764,000	
	3324		\$1,308,400	
	Increase from 2024		\$408,800	45%
Makin			likely boost participation and lget for all participants	
	No. Participants	Tier Payouts	2024 Payouts by Tier	
Tier 1	0	\$250	\$0	
Tier 2	0	\$350	\$0	
Tier 3	3324	\$500	\$1,662,000	
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	Increase from 2024		\$762,400	85%

These scenarios reflect the impact of increasing tier payouts and the potential for higher engagement if the program payout is made more attractive and the expectations remain the same.

Recommendation for Strategic Planning

Given these factors, I propose that the Finance and Personnel Committee authorize DER and the Benefits Director to lead a long-term planning initiative. This process would involve:

- Evaluating sustainable funding strategies, including increasing the fee for not participating in the Health Screening when taking our Insurance Coverage
- Reimagining the program structure
- Considering additional opportunities not yet explored

The goal is to develop a comprehensive recommendation that aligns the HRA program with both employee well-being and our financial responsibilities.

Respectfully,

Benefits Director