



Department of Employee Relations

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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

Actual HRA Utilization 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
Scenarios based 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%
Making the program more attractive will likely boost participation and completion rates, so we should budget 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
	3324		\$1,662,000
	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