



Agenda Item Report

Legislative Board: City Council
Date: August 4, 2026
Contact: Matthew Wright
Agenda Item ID / Number: 2026-628- / G.2

ITEM TITLE: Approval of the rejection of all proposals received in response to RFP 26-170 for fully insured and level-funded medical insurance coverage (UnitedHealthcare and Garner Health), and authorization for the City Manager to continue negotiations with the incumbent medical insurance carrier for employee medical benefits. (Human Resources Director Matthew Wright)

1. EXECUTIVE SUMMARY

The City issued RFP 26-170 seeking proposals for fully insured and level-funded medical insurance coverage as part of its annual evaluation of employee health benefits. Following a comprehensive review of the proposals received, staff determined that none of the submitted bids provided a solution that was more advantageous than the City's current medical insurance program when considering overall cost, benefits, network access, administrative services, and financial risk.

The employee health insurance market continues to experience significant cost pressures, resulting in limited competitive pricing and higher renewal rates across the industry. After evaluating the available options, staff determined that remaining with the incumbent carrier represents the best overall value for the City and its employees.

2. BACKGROUND/HISTORY

The City issued Request for Proposals (RFP) No. 26-170 seeking proposals for fully insured and level-funded employee medical insurance coverage effective October 1, 2026. The purpose of the solicitation was to evaluate the marketplace and determine whether alternative carriers or funding arrangements could provide comparable employee benefits at a lower overall cost to the City.

Two proposals were received in response to the RFP:

- **UnitedHealthcare** submitted a renewal proposal for the City's existing medical plans. The proposal reflected an approximate **45.1% premium increase** over the current plan year for comparable plan designs.
- **Garner Health** submitted a proposal utilizing high-deductible health plans coupled with Garner's provider navigation and health reimbursement arrangement (HRA) model. Garner projected long-term savings through changes in plan design, employee utilization, and incentive-based care management.

Following receipt of the proposals, staff worked to evaluate each option based on cost, employee impact, provider access, plan design, administrative complexity, and long-term financial sustainability.

3. ANALYSIS

Staff conducted a comprehensive review of both proposals.

The UnitedHealthcare renewal maintained the City's existing network and benefit structure but included a significant premium increase that reflected current market conditions.

Garner Health proposed an alternative delivery model that relied on substantially higher deductibles, employee participation in Garner's provider navigation program, and health reimbursement arrangements funded by the employer. While Garner illustrated potential long-term savings, those savings were dependent upon employee utilization assumptions, modified benefit designs, and implementation of a new administrative model.

After evaluating both proposals, staff determined that neither proposal represented a more advantageous solution than continuing negotiations with the incumbent carrier. Remaining with the incumbent provides continuity of care for employees and dependents while allowing the City to continue implementing the benefit strategy previously discussed with Council, including revised plan offerings and employer contribution strategies.

4. FINANCIAL IMPACT

Two proposals were received:

- **UnitedHealthcare Renewal**
 - Approximately **45.1% renewal increase** for comparable plan designs.
- **Garner Health**
 - Proposed alternative plan structures designed to reduce long-term healthcare costs through higher deductible plans paired with employer-funded HRAs and provider navigation services.
 - Illustrative projections estimated first-year savings under certain utilization assumptions; however, actual savings would depend upon employee participation, plan migration, and claims experience.

Staff's recommendation to reject the proposals allows the City to continue with the incumbent medical carrier under the renewal strategy previously presented to Council.

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES

6. STRATEGIC PLAN OBJECTIVES

2D

7. PROS AND CONS

Pros

- Ensures uninterrupted medical coverage for employees and dependents.
- Maintains provider continuity and minimizes employee disruption.
- Avoids implementing a significantly different benefit model with uncertain employee adoption.
- Supports the benefit strategy previously reviewed by Council.

Cons

- Medical insurance costs continue to increase due to market conditions.
- Rejecting the proposals limits consideration of alternative funding models this plan year.

8. ALTERNATIVES

1. Award the contract to UnitedHealthcare based on the renewal proposal.

2. Award the contract to Garner Health and implement a redesigned medical benefit structure.
3. Reject all proposals and continue medical coverage with the incumbent carrier through negotiated renewal terms.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends rejecting all proposals received in response to RFP No. 26-170 and authorizing the City Manager to continue negotiations with the incumbent medical insurance carrier for employee medical coverage effective October 1, 2026. Staff has determined this approach provides the best overall value by balancing cost, employee benefits, provider access, and operational continuity.

Attachments:

[City of Buda FY27 Benefit Changes.pdf](#)
[City_of_Buda_RFP_26-170_Bid_Tab.pdf](#)