



21 South Elm Street • Zeeland, Michigan 49464 • (616) 772-6400 • FAX (616) 772-5352

TO: PERSONNEL COMMITTEE:
Mayor Van Dorp
Mayor Pro Tem Gruppen
Councilman Lam
BPW Commissioner Chairperson Boerman
BPW Commissioner Vice-Chair Cooney

CC: BPW General Manager Mulder
Melanie Hellenthal, HR Specialist
Kristi DeVerney, City Clerk

FROM: Kevin Plockmeyer, Interim City Manager

DATE: October 9, 2026

RE: Personnel Committee Agenda

**Thursday, October 15, 2026
12:00 p.m.
Zeeland City Hall
City Council Chambers**

AGENDA

The agenda for the meeting is:

1. Employee comments
2. Calendar Year 2027 Employee Health Insurance Contract Renewals
3. Employee Wellness Plan Update
4. Health Insurance/RX Funding Handbook Update
5. Other



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PERSONNEL COMMITTEE MEMORANDUM

TO: Personnel Committee Members

FROM: Kevin Plockmeyer, Interim City Manager

SUBJECT: 2027 Health Insurance Renewal

DATE: October 12, 2026

CC: October 15, 2026 Personnel Committee Meeting

BACKGROUND AND PREVIOUS COMMITTEE REVIEW

At its September 21 meeting, the Personnel Committee reviewed the City's 2027 health-insurance renewal through the Western Michigan Health Insurance Pool and the significant impact the renewal will have on employee contributions. As previously discussed, the City's 2027 health-insurance renewal is increasing by 13.9%, while the State of Michigan's PA 152 hard-cap amounts are increasing by only 3.0%. Because the City uses the PA 152 hard-cap methodology to determine its contribution toward employee health insurance, the difference between those two increases results in a significant portion of the 2027 premium increase being passed on to employees.

At the September meeting, staff also reviewed the City's recent claims experience, the continued value of participation in the Western Michigan Health Insurance Pool, and several alternative plan designs intended to provide employees with additional choices for managing the increased cost. The proposed direction was to reduce the final offering to five distinct health plans, retain a highly utilized existing HSA plan, replace less-utilized or overlapping plans with lower-cost alternatives, and establish a more consistent approach to City HSA contributions. Given the magnitude of the increases employees are facing, the Personnel Committee did not consider the discussion complete at the September meeting. We wanted to continue communicating with employees, gather additional feedback, evaluate the questions and alternatives being raised, and return to the Personnel Committee with a final recommendation before City Council consideration and open enrollment.

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Since the Personnel Committee's September 21 review, staff has continued working through the 2027 health insurance renewal and the concerns raised by employees. During that time, staff has gathered additional employee feedback, reviewed alternative funding approaches used by other municipalities, discussed self-funding and other insurance structures with Gallagher, requested pricing for additional insurance alternatives, reconsidered the City's health-insurance opt-out payment, and continued developing proposed changes to the City's Wellness Program. The purpose of this follow-up review is to ensure that the City has considered reasonable alternatives before finalizing the 2027 benefit structure.

EMPLOYEE FEEDBACK

Staff has continued communicating with employees regarding the 2027 renewal and the potential plan changes. Employees have been provided information explaining the 13.9% renewal, the effect of the 3.0% PA 152 hard-cap adjustment, and the potential impact on employee contributions. Not surprisingly, the magnitude of the projected contribution increases has generated questions and suggestions from employees regarding whether there are other ways the City could lessen the impact.

Staff believes these questions are appropriate and has taken the opportunity to review the suggestions rather than simply moving forward with the original proposal. At the same time, our review has continued to be guided by the same general philosophy discussed with the Committee in September: the City should provide a competitive and meaningful employee benefit package while also recognizing the ongoing financial responsibility to taxpayers and utility ratepayers. The objective is therefore not necessarily to eliminate every increase employees will experience, but to determine whether there are reasonable changes that provide meaningful value without creating unsustainable or inequitable benefit structures.

Among the primary topics raised by employees have been:

- whether the City should consider alternatives to participation in the Western Michigan Health Insurance Pool;
- whether self-funding could provide a more competitive option;
- whether the City should provide additional financial assistance to offset increased employee contributions;
- whether the annual payment to employees who waive City health-insurance coverage should be increased.

Staff has reviewed each of these items. Some have resulted in additional recommendations or further review, while others are not recommended at this time.

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ALTERNATIVE FUNDING AND OTHER INSURANCE OPTIONS

As part of the employee feedback received following the September Personnel Committee meeting, staff was asked whether the City should consider alternatives to the Western Michigan Health Insurance Pool, including self-funding or other insurance arrangements that may provide lower employee contribution levels. Staff has continued to explore those questions with Gallagher and has also followed up with other public employers to better understand how their health insurance programs are structured.

One example raised by employees was the City of Kentwood. Kentwood operates a self-funded health-insurance program rather than participating in a pooled arrangement similar to Zeeland. However, there are several important differences between the two organizations that make a direct comparison difficult. Kentwood has approximately three times the number of covered lives as Zeeland, which provides a considerably larger base over which to spread claims risk. Based on our discussions with Kentwood, its overall health-insurance costs are also approximately three times the City of Zeeland's costs. Kentwood's compensation and benefit strategy is also structured differently, with greater emphasis on limiting employee benefit costs as part of its overall compensation approach. Because of those structural differences, staff does not believe the employee contribution levels in the two communities provide a meaningful direct comparison.

The discussion with Kentwood was still helpful. It reinforced that self-funding can be an effective strategy for larger organizations with a broader employee base and sufficient financial capacity to absorb annual claims volatility. At Zeeland's current size, however, moving to a self-funded arrangement would expose the City to substantially greater claims risk and would require careful consideration of stop-loss coverage, reserves, administrative costs, and the potential for year-to-year volatility.

Staff also reviewed high-level renewal information from a number of West Michigan municipalities. That information indicates that significant health-insurance increases are widespread, with many communities experiencing increases in the 10% to 24% range. Several municipalities are responding by increasing deductibles, adding lower-cost plan options, modifying pharmacy benefits, or moving away from older plan designs. At the same time, a number of communities are either moving to, considering, or evaluating participation in the Western Michigan Health Insurance Pool as a way to improve long-term rate stability and spread claims risk across a larger group. Ionia is moving to The Pool, while Grand Haven, Oshtemo, and Novi are among the communities considering or evaluating a similar move.



Self-funded communities are also experiencing their own cost pressures, particularly through stop-loss coverage and large claims. This reinforces staff's view that there is no single funding model that eliminates health-insurance cost pressure; rather, each approach involves a different balance of cost, risk, and stability.

In addition to reviewing self-funding and other municipal approaches, staff asked Gallagher to obtain pricing on additional insurance alternatives outside of the proposed Pool plan lineup. Unfortunately, these quotations take time, and we have not received this information yet, but staff hopes to have this information available prior to the Personnel Committee meeting.

Staff will compare those alternatives based on overall premium cost, employee contribution impact, plan design, provider access, administrative requirements, financial risk, and long-term stability. The purpose of this review is to ensure that the City has completed appropriate due diligence before making a final recommendation for 2027.

2027 PLAN OPTIONS

Following the September Personnel Committee meeting, staff continued working with Gallagher to evaluate the City's existing health plans and additional alternatives. The goal has remained the same: maintain meaningful employee choice while providing options with clearer differences in premium cost, deductible exposure, coinsurance, and overall financial risk.

Staff initially considered a broader range of plan options. After further discussion with Gallagher, however, we were advised that offering too many plans would create unnecessary complexity for employees and would become difficult to administer. Staff therefore narrowed the proposed offering to five plans that we believe provide a reasonable range of choices.

The proposed 2027 lineup is as follows:

1. Existing PPO Plan

The City would continue to offer its existing traditional PPO option. This remains the highest-cost option for employees but provides a familiar plan design for those who prefer lower deductible exposure and a more traditional insurance structure.



2. Existing \$2,000 Single / \$4,000 Family HSA Plan – 80% Coinsurance

Staff recommends retaining this plan because it continues to be one of the City's most heavily utilized options. Maintaining the plan also provides continuity for a significant number of employees who are comfortable with its current structure.

3. New \$2,500 Single / \$5,000 Family Aggregate HSA Plan – 100% Coverage After Deductible

This option would replace the City's existing \$1,700/\$3,400 and \$2,000/\$4,000 HSA plans that provide 100% coverage after the deductible. The new plan has a somewhat higher deductible and uses an aggregate family deductible but provides a lower premium than the existing plans. It is intended for employees who value having 100% coverage after satisfying the deductible but are willing to assume somewhat greater upfront exposure in exchange for a lower payroll contribution.

4. New \$2,500 Single / \$5,000 Family Aggregate HSA Plan – 80% Coinsurance

This option would provide another lower-cost alternative for employees willing to accept additional deductible and coinsurance exposure in exchange for reduced bi-weekly contributions.

5. New \$3,500 Single / \$7,000 Family Aggregate HSA Plan – 80% Coinsurance

This plan is intended to serve as the City's lowest-premium option. Staff is proposing to structure the City's HSA contribution for this plan so that employees would have a zero bi-weekly payroll contribution, subject to the applicable PA 152 limitations.

Staff believes the proposed five-plan structure provides employees with clearer choices. Employees who prefer a more traditional benefit structure can remain in the PPO plan, while employees willing to accept higher deductibles or additional coinsurance exposure have opportunities to substantially reduce their payroll contributions.



HSA CONTRIBUTION STRATEGY

As part of the proposed 2027 plan structure, staff also reviewed the City's HSA contribution levels to make sure the contribution strategy remains consistent across the available plans.

For most HSA-qualified plans, staff is proposing to continue the City's existing HSA contribution of \$1,000 for single coverage and \$2,000 for two-person or family coverage. For the highest-deductible HSA option, staff is proposing to adjust the City's HSA contribution based on the remaining room available under the PA 152 hard cap. The intent is to structure this plan so that employees selecting the lowest-premium option would have a zero or near-zero bi-weekly payroll contribution.

Staff believes this approach provides employees with another meaningful way to manage the impact of the 2027 renewal. It also recognizes that the highest-deductible plan carries greater upfront financial exposure and therefore should be evaluated based on both the employee payroll contribution and the City's HSA contribution.

When the plan options are presented to employees, staff and Gallagher will emphasize that employees should consider the total plan design, including premium contribution, deductible, coinsurance, out-of-pocket exposure, and HSA contribution, rather than comparing payroll deductions alone.

HEALTH INSURANCE OPT-OUT PAYMENT

One suggestion raised by employees is whether the City should increase the annual payment provided to employees who elect not to participate in the City's health-insurance plan.

The City currently provides an annual payment of \$2,500 to eligible employees who waive City health-insurance coverage. This amount was increased from \$1,000 to \$2,500 for the current plan year. At present, only three employees receive the opt-out payment, and no additional employees elected to waive City coverage following last year's increase.

There is a financial rationale for maintaining an opt-out incentive. When an employee elects coverage through another source, the City avoids the cost that otherwise would have been associated with providing that employee City health-insurance coverage. Depending on the employee's coverage tier and plan selection, that avoided cost can be significant.

However, staff believes it is also important to consider whether increasing the payment would actually change employee behavior. The increase from \$1,000 to \$2,500 did not result in any

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additional employees electing to waive City coverage. Based on that experience, staff does not currently have evidence that another increase would result in additional employees leaving the City's health-insurance plan.

If participation remains unchanged, an increased opt-out payment would primarily provide additional compensation to the three employees who already waive City coverage. While those employees do provide financial value to the City by obtaining coverage elsewhere, staff questions whether directing additional benefit dollars to such a limited group is the best use of City resources, particularly when the primary concern for 2027 is the increased health-insurance cost being experienced by the broader employee population.

For this reason, staff recommends maintaining the current \$2,500 annual opt-out payment for 2027. The amount remains significantly higher than the City's previous \$1,000 payment and continues to recognize the financial benefit to the City when an employee obtains health coverage elsewhere. Staff can continue to monitor participation and reconsider the amount in future years if there is evidence that a different incentive level would meaningfully affect enrollment.

WELLNESS PROGRAM CHANGES

Staff has also continued to evaluate potential changes to the City's Wellness Program as another way to provide additional value to employees during the 2027 transition. The current wellness structure relies on a third-party vendor and a point-based system that allows employees to earn reductions in their health-insurance contributions. Participation has been relatively limited, and staff has questioned whether the current structure continues to provide sufficient value for the cost and administrative effort involved.

As a separate recommendation, staff is proposing a phased transition away from the current third-party wellness program. The proposed approach would recognize wellness participation employees have already completed during 2026, provide a portion of the existing wellness credit during the transition year, and establish a new Wellness Reimbursement Program that would allow employees to seek reimbursement for qualifying wellness-related expenses. The intent of the proposed changes is not to fully offset the health-insurance increases employees will experience in 2027. Rather, the goal is to redirect wellness resources in a way that provides broader and more flexible value to employees.



The Wellness Program changes will be presented to the Personnel Committee under a separate memorandum and recommendation. Because the proposal represents an employee-support measure related to the 2027 health-insurance transition, staff believes it is appropriate to consider the wellness changes alongside the final health-insurance recommendation.

EMPLOYEE COMMUNICATION AND OPEN ENROLLMENT

Staff has continued communicating with employees throughout the 2027 renewal process and believes it is important to keep those communications going as the final plan decisions are made. Because the proposed plan lineup includes both existing and new options, employees will need more than a simple comparison of payroll contributions. They will also need to understand the differences in deductibles, coinsurance, out-of-pocket exposure, HSA contributions, and embedded versus aggregate deductible structures.

Following Personnel Committee and City Council consideration, Gallagher will meet directly with employees on October 28 to review the final plan options, explain the differences among the plans, and answer individual benefit questions before open enrollment. Open enrollment is anticipated to occur during November, with the new rates and plan elections becoming effective January 1, 2027.

Additionally, we will be providing employees with a snapshot of their total compensation and benefit package. We hope that this will provide employees with context around their total compensation and provide them additional information in order to make an informed decision about their health insurance selection for 2027.

Staff believes this communication process is particularly important this year given the magnitude of the contribution increases and the number of plan changes being considered. The goal is to make sure employees have enough information and access to Gallagher to make an informed decision based on their individual or family circumstances.

FINAL RECOMMENDATION

Staff recommends that the Personnel Committee approve the proposed 2027 health-insurance plan structure and recommend approval to City Council.

The recommendation would include:

- continuing participation in the Western Michigan Health Insurance Pool;
- offering the proposed five-plan lineup for 2027;

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- maintaining the City's standard HSA contribution of \$1,000 for single coverage and \$2,000 for two-person or family coverage on most HSA plans;
 - adjusting the HSA contribution on the highest-deductible plan based on available PA 152 hard-cap room in order to maintain a zero or near-zero employee payroll contribution;
 - maintaining the current \$2,500 annual health-insurance opt-out payment;

Staff believes this approach provides a reasonable balance between employee choice, affordability, long-term cost stability, and the City's responsibility to taxpayers and utility ratepayers.

The 2027 renewal is difficult, and staff recognizes that employees will experience meaningful contribution increases. However, the proposed structure provides a broader range of plan choices, preserves continuity where appropriate, creates lower-cost alternatives for employees willing to accept additional financial exposure, and maintains the risk-sharing benefits available through The Pool.

Kevin Plockmeyer, Interim City Manager

2027 City of Zeeland/ZBPW Health Insurance Plans

Snap Shot

Priority Health	PPO Traditional (PHZE1)	HSA Plan 1 (PH01)	HSA Plan 2 (PHZE4)	HSA Plan 3 (PH02)	HSA Plan 3 (PH06)
Individual Deductible	\$250.00	\$2,500.00	\$2,000.00	\$2,500.00	\$3,500.00
Family Deductible	\$500.00	\$5,000.00	\$4,000.00	\$5,000.00	\$7,000.00
Coinsurance	90%	100%	80%	80%	80%
Individual Coinsurance Max	\$1,000.00	n/a	n/a	\$2,000.00	\$2,000.00
Family Coinsurance Max	\$2,000.00	n/a	n/a	\$4,000.00	\$4,000.00
Individual Out of Pocket Max	\$2,500.00	\$4,500.00	\$3,000.00	\$4,500.00	\$5,500.00
Family Out of Pocket Max	\$5,000.00	\$9,000.00	\$6,000.00	\$9,000.00	\$11,000.00
Virtual Visits	100%	100% after deductible	100% after deductible	80% after deductible	80% after deductible
Office VisitsPCP/Specialty	\$10 copay	100% after deductible	80% after deductible	80% after deductible	80% after deductible
Urgent Care Visits	\$30 copay	100% after deductible	80% after deductible	80% after deductible	80% after deductible
Emergency Room	\$50 copay	100% after deductible	80% after deductible	80% after deductible	80% after deductible
Hospitalization	90% after deductible	100% after deductible	80% after deductible	80% after deductible	80% after deductible
Prescription					
Tier 1	\$10 copay	\$10 copay after deductible	\$10 copay after deductible	\$10 copay after deductible	\$10 copay after deductible
Tier 2 & 4	80% after deductible (max \$80)	80% after deductible (max \$80)	80% after deductible (max \$80)	80% after deductible (max \$80)	80% after deductible (max \$80)
Tire 3 & 5	80% after deductible (max \$160)	80% after deductible (max \$160)	80% after deductible (max \$160)	80% after deductible (max \$160)	80% after deductible (max \$160)
Employee Cost (full wellness credit)	Per Bi-Weekly Pay Period				
Employee Only	\$142.20	\$87.64	\$73.59	\$38.13	\$0.00
Employee + Dependent	\$370.88	\$237.48	\$205.87	\$126.10	\$0.00
Family (3 or more)	\$422.28	\$237.48	\$198.14	\$98.87	\$0.00
City Contribution to HSA	Annually (IRS Max Contribution Self-Only \$4,500/Family \$9,000)				
Employee Only	n/a	\$1,000.00	\$1,000.00	\$1,000.00	\$737.11
Employee + Dependent	n/a	\$2,000.00	\$2,000.00	\$2,000.00	\$360.58
Family	n/a	\$2,000.00	\$2,000.00	\$2,000.00	\$1,469.23



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PERSONNEL COMMITTEE MEMORANDUM

TO: Personnel Committee Members

FROM: Kevin Plockmeyer, Interim City Manager

SUBJECT: 2027 Wellness Plan Modifications

DATE: October 13, 2026

CC: October 15, 2026 Personnel Committee Meeting

BACKGROUND

The City has operated a Wellness Program for more than a decade as part of its employee health-benefit structure. Under the current program, employees and spouses can earn wellness credits by participating in screenings, questionnaires, challenges, educational activities, and other wellness-related activities.

The City currently utilizes a third-party vendor to administer much of the program. The vendor provides the employee application, wellness activities, and quarterly biometric-screening opportunities. The annual cost of the third-party program is approximately \$10,000 to \$12,000. Participation has also been relatively limited. In 2025, approximately 45% of eligible employees received some wellness credit, while only about 30% earned the full available credit. Participation during 2026 has followed a similar pattern, with approximately 46% of eligible employees participating.

Staff has also found it difficult to determine whether the current program is achieving its intended wellness objectives. The third-party administrator has limited access to employee health information, and the information collected through the program does not provide a reliable measure of overall employee health outcomes.



CURRENT WELLNESS CREDIT STRUCTURE

Under the current structure, employee health-insurance contributions are established above the otherwise-required contribution amount, with employees able to earn wellness credits that reduce their bi-weekly premium contribution.

While the unearned credits result in higher employee health-insurance contributions and therefore reduce the City's overall health-insurance cost, staff does not believe that should be the primary purpose of the Wellness Program. The intent of the program should be to encourage employee wellness and provide meaningful support for employees who choose to participate.

PROPOSED PHASED TRANSITION

Rather than eliminating the current wellness-credit structure immediately, staff is proposing a phased transition for the 2027 plan year. The phased approach is intended to recognize the efforts employees have already made during the 2026 wellness year, provide additional support during a year of significant health-insurance contribution increases, and allow the City to transition to a more flexible wellness program without creating an abrupt change.

For the 2027 plan year, staff proposes the following:

- One-half of the existing wellness credit would be guaranteed for 2027.
- The remaining one-half of the wellness credit would be based on the wellness credit actually earned by the employee during the 2026 wellness year.
- The existing third-party wellness vendor and point-based program would be discontinued following completion of the 2026 program year.
- A new Wellness Reimbursement Program would be established for 2027 for employees actively enrolled in a City of Zeeland health-insurance plan.

Under this approach, employees who fully participated in the 2026 program would continue to receive the full equivalent of their current wellness credit during the transition year. Employees who did not participate or only partially participated would still receive a portion of the credit while also recognizing the level of participation they completed during 2026.

WELLNESS REIMBURSEMENT PROGRAM

In addition to the transitional wellness credit, staff proposes establishing a direct Wellness Reimbursement Program beginning in 2027. The purpose of the reimbursement program is to

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provide employees with greater flexibility to choose wellness activities that are meaningful and appropriate to their individual interests and circumstances. The program would be available to employees actively enrolled in a City of Zeeland health-insurance plan.

The proposed annual reimbursement amounts are:

<u>Coverage</u>	<u>Annual Maximum</u>
Single Coverage	\$260
Employee + Dependent(s) Coverage	\$390

The reimbursement would be based on actual qualifying expenses incurred by the employee and would not be provided as a guaranteed cash payment. Reimbursements would also be limited to expenses that are not reimbursed through another City benefit, health plan, insurance plan, employer-sponsored program, or other source. Examples of qualifying expenses could include fitness-center memberships, fitness classes, organized wellness-oriented events, certain exercise equipment, mindfulness or stress-management programs, nutrition education, fitness trackers, and approved financial-wellness education. Final eligibility would be determined in accordance with the City's Wellness Reimbursement Program (see attached).

The reimbursement program is intended to provide employees with more flexibility than the current point-based approach while still maintaining a clear connection to employee health and wellness.

PROGRAM ADMINISTRATION

Human Resources would administer the Wellness Reimbursement Program in accordance with the adopted policy. Employees requesting reimbursement would be required to submit a Wellness Reimbursement Request along with an itemized receipt or other acceptable documentation showing the date, amount, and nature of the expense. Requests would generally be submitted within 60 days of the expense and no later than January 31 of the following calendar year.

The annual reimbursement maximum would not carry over from one calendar year to the next, and Human Resources would retain discretion to determine whether an expense meets the intent and requirements of the Wellness Reimbursement Program.



FINANCIAL IMPACT

The proposed phased transition does increase the City's cost compared with the current Wellness Program; however, the structure is designed to use savings from eliminating the third-party administrator to offset a significant portion of the transition cost.

Under the current program, the maximum available wellness credit is approximately \$56,420 annually. Employees currently earn approximately \$32,136 of those credits, leaving approximately \$24,284 unearned. The City also spends approximately \$12,000 annually on the third-party wellness vendor.

Under the proposed transition, one-half of the existing wellness credit would be guaranteed to employees, while the remaining one-half would continue to be based on what the employee earned during the 2026 wellness year. Based on current participation, this would provide approximately \$12,142 in additional wellness credits to employees compared with the current structure. At the same time, discontinuing the third-party wellness vendor would save approximately \$12,000 annually. As a result, the additional cost of the transitional premium-credit component itself is essentially budget-neutral.

The new Wellness Reimbursement Program would represent the primary additional City investment. Employees enrolled in City health insurance would be eligible for reimbursement of up to \$260 annually for single coverage and up to \$390 annually for employee-plus-dependent coverage. Based on the current enrollment mix, the maximum potential annual reimbursement is approximately \$28,210 if every eligible employee utilizes the full benefit.

Because the new benefit is reimbursement-based rather than a guaranteed payment, actual costs would depend on employee utilization. Employees must incur and document a qualifying expense before reimbursement is provided. Accordingly, \$28,210 represents the approximate maximum additional annual City cost under the proposed structure rather than an expected guaranteed expenditure.

From the employee perspective, the proposal could provide approximately \$40,352 in additional value compared with the existing program: approximately \$12,142 through the transitional wellness-credit change and up to \$28,210 through the new reimbursement benefit. The difference between the additional employee value and the City's net cost is primarily attributable to the approximately \$12,000 annual savings from eliminating the third-party vendor.

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Staff believes this represents a reasonable use of existing and additional wellness resources. Rather than continuing to spend approximately \$12,000 annually administering a program with relatively limited participation, those resources would be redirected toward benefits that employees can use more directly, with a maximum additional City investment of approximately \$28,000 annually.

FUTURE PROGRAM STRUCTURE

Following the 2027 transition year, staff anticipates moving away from the existing premium-credit and third-party point structure and operating the City's wellness efforts under the broader Wellness Activities and Reimbursement Policy. The policy provides flexibility to adjust reimbursement amounts, eligible expenses, documentation requirements, and other program provisions in future years based on employee needs, available resources, benefit-plan requirements, and applicable collective-bargaining agreements and law. This approach would allow the City to continue supporting employee wellness without being tied to a specific third-party platform or point-based program.

RECOMMENDATION

Staff recommends that the Personnel Committee approve the phased transition of the City's Wellness Program for the 2027 plan year and recommend adoption of the Employee Wellness Policy and Wellness Reimbursement Program.

While this is staff's recommendation, we understand if the committee need more time to discern the direction of the wellness program as this would represent a change in direction. Ultimately, we are looking to provide employees with meaningful opportunities to enhance their own wellness and see this as an opportunity to do so. That being said, we do acknowledge that this does come as an expense to the City and we welcome the Committee's feedback at Thursday's meeting.

Kevin Plockmeyer, Interim City Manager

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Employee Wellness Policy

The City of Zeeland is committed to supporting the health, well-being, and overall quality of life of its employees. The purpose of this policy is to establish a workplace wellness program that encourages employees to make healthy lifestyle choices, maintain a healthy work-life balance, and utilize resources that support physical, emotional, financial, and social well-being.

The City recognizes that employees have different health needs, interests, abilities, and personal circumstances. Participation in wellness activities is intended to be supportive and educational and is not a condition of employment.

This policy applies to all eligible City employees. Specific wellness programs, activities, incentives, or benefits may have additional eligibility requirements, which will be communicated separately.

Wellness Program

The City may offer or support wellness initiatives designed to promote employee well-being. All City-sponsored wellness programs and activities must be approved by Human Resources in advance.

Wellness initiatives may include, but are not limited to:

- Health and wellness education and informational resources.
- Physical activity and fitness opportunities.
- Preventive health and wellness activities.
- Mental and emotional well-being resources.
- Stress management and work-life balance resources.
- Financial wellness education.
- Nutrition and healthy lifestyle education.
- Wellness challenges, events, or activities.
- Employee Assistance Program (EAP) resources.

The City may modify, add, or discontinue wellness programs based on employee needs, participation, available resources, and organizational priorities.

Participation in City-sponsored wellness activities is voluntary unless otherwise required by law or a specific benefit plan.

Wellness Incentives

The City may offer incentives to encourage participation in designated wellness activities. Incentives may include, but are not limited to:

- Wellness-related prizes or recognition.
- Participation-based rewards.
- Educational opportunities.
- Wellness-related events or activities.
- Reimbursement for eligible costs associated with employee-initiated wellness activities. *See Appendix I-Wellness Reimbursement Program for my details.*
- Other incentives approved by the City.

Any wellness incentive program will be communicated to employees in advance and will identify applicable eligibility requirements, participation requirements, reimbursement limits, and deadlines.

Wellness incentives are intended to encourage participation and will not require employees to disclose unnecessary personal health information.

Privacy and Confidentiality

The City respects the privacy of employee health and wellness information. When wellness activities involve health information, the City will handle such information in accordance with applicable federal and state laws and the requirements of any applicable health plan or wellness provider.

Individual health information obtained through a health plan, healthcare provider, or third-party wellness provider will not be used by the City for employment decisions.

Administration

Human Resources is responsible for administering the City's employee wellness program and coordinating wellness initiatives with appropriate departments, benefit providers, and outside resources.

Human Resources may establish program guidelines, participation requirements, reimbursement procedures, and other administrative requirements necessary to implement individual wellness initiatives.

Employees should contact Human Resources with questions regarding wellness programs, eligibility, reimbursement, accessibility, accommodations, or related employee benefits.

Wellness participation does not replace professional medical, mental health, financial, or other professional advice.

In the event of a conflict between this policy and an applicable collective bargaining agreement, benefit plan document, or law, the applicable agreement, plan document, or law will govern.

Wellness Reimbursement Program

The Wellness Reimbursement Program is intended to provide employees with flexibility to choose wellness activities that are meaningful and appropriate to their individual interests and circumstances. All reimbursements are subject to the eligibility requirements, annual limits, documentation standards, and other provisions of this policy.

ELIGIBILITY and ANNUAL REIMBURSEMENT LIMITS

Employees actively enrolled in the City of Zeeland Health Insurance plans are eligible for reimbursement per calendar year for qualifying wellness expenses.

Annual reimbursement Limits are based on health insurance Enrollment Type:

- Single coverage eligible for up to \$260 per calendar year
- Employee + dependent(s) coverage eligible for up to \$390 per calendar year

Employees enrolled in employee plus dependent(s) coverage may use their reimbursement benefit for qualifying wellness expenses incurred for themselves, their covered spouse, or covered dependents.

Family memberships and other family-oriented wellness expenses may qualify when their purpose is physical fitness, wellness, or another eligible activity under this policy.

This annual reimbursement maximum:

- Is available on a calendar-year basis.
- Does not carry over from one calendar year to the next calendar year.
- Applies to the total annual amount reimbursed during the calendar year regardless of the different types of activities
- Is limited to an employees' actual out-of-pocket expense after discounts, rebates, credits, insurance payments, employer benefits, or other reimbursements.

Employees must be actively employed by the City and enrolled in an eligible City health insurance plan when the expense is incurred and when the reimbursement is requested.

Eligible Wellness Activities and Expenses

The following categories provide examples of expenses that may qualify for reimbursement. The examples are intended as general guidelines and are not an exhaustive list.

Physical Fitness and Recreation

- Gym, fitness center, or recreation center membership where the primary purpose of the membership is physical fitness or wellness.
- Fitness classes (yoga, Pilates, aerobics, cycling, etc)
- Swimming or aquatic fitness programs.
- Exercise or structured fitness programs.
- Personal training sessions.
- Registration fees for organized wellness-oriented recreational events (5K's, Triathlons, etc.)

Mindfulness and Mental Well-Being

- Meditation or mindfulness classes.
- Stress-management programs.
- Wellness or resilience classes.
- Approved wellness workshops or educational programs.

- Other structured activities specifically designed to promote mental or emotional well-being.

Nutrition and Healthy Lifestyle

- Nutrition education programs or classes.
- Registered dietitian or nutrition counseling, when not otherwise covered by an applicable health plan.
- Healthy cooking or nutrition classes.
- Weight-management or lifestyle-improvement programs that emphasize healthy behaviors rather than products, medications, or supplements.

Wellness Equipment

The City may reimburse wellness-related equipment when the equipment is reasonably related to an eligible physical fitness or wellness activity. Examples may include:

- Exercise or fitness equipment for at home use.
- Resistance bands, weights, or similar fitness equipment for at home use.
- Fitness watch or trackers when primarily used to support health or fitness tracking.

Financial Wellness

The City may reimburse reasonable fees for approved financial wellness education or programs, such as:

- Financial planning or financial wellness seminars.
- Budgeting or financial education programs.
- Retirement or investment education programs that are not otherwise provided by the City or retirement plan.

Non-Eligible Expenses

Common expenses that are not eligible for reimbursement include:

- Alcohol or tobacco products.
- Vitamins, supplements, or other nutritional products.
- Prescription or over-the-counter medications.
- Medical expenses covered by health insurance or other benefits.
- Medical treatment or services, unless specifically approved as part of a City-sponsored wellness program.
- Personal care or cosmetic services.
- Investment purchases, financial account contributions, taxes, penalties, interest, or other personal financial expenses
- Spa treatments, massages, or similar services unless specifically approved as part of a designated wellness program.
- Clothing, shoes, or general apparel.
- General-purpose electronics, including phones, tablets, computers, televisions, headphones, earbuds, gaming systems, and similar devices.
- General household equipment or furniture.
- Travel, lodging, meals, or transportation expenses, unless specifically approved for a City-sponsored wellness activity.
- Items whose primary purpose is entertainment, transportation, general recreation, or household use do not qualify examples include watercraft, motorized equipment, hunting or fishing equipment, and game equipment.

- Memberships or expenses primarily intended for entertainment or social purposes.
- Gift cards or cash-equivalent purchases.
- Shipping, delivery, installation, extended warranties, service plans, financing charges, and unrelated accessories.
- Expenses incurred primarily for individuals who are not an employee or a covered spouse or dependent.
- Expenses reimbursed or paid through another employer benefit, insurance program, rebate, credit, or other source.
- Expenses that Human Resources determines are inconsistent with the purpose of the Wellness Reimbursement Program.

The examples are intended as general guidelines and are not an exhaustive list.

Returns, Refunds, Cancellations, and Credits

Employees must notify Human Resources of any refund, return, rebate, credit, cancellation, or other recovery related to an expense already reimbursed by the City. Any related City reimbursement must be repaid to the City.

Reimbursed items may not be purchased for the purpose of resale or financial gain.

Reimbursement Process

Employees seeking reimbursement must submit:

1. A completed Wellness Reimbursement Request;
2. An itemized receipt or other acceptable documentation showing the date, amount, and nature of the expense; and
3. Any additional documentation reasonably requested by Human Resources.

Requests should be submitted within 60 days of the expense and no later than January 31 of the following calendar year for expenses incurred during the prior year.

If an annual fee is paid upfront (e.g., \$360 for a yearly gym membership), the employee may only request reimbursement on a monthly basis for the prorated amount ($\$360 \div 12 \text{ months} = \$30 \text{ monthly}$).

Reimbursement will be processed through the City's normal payroll or accounts payable procedures, as applicable.

Purchases must be supported by verifiable documentation and generally made through an established business, organization, or qualified service provider. Private-party purchases, person-to-person transactions, and cash transactions without verifiable documentation require advance written approval from Human Resources. If employment or eligible City health-insurance coverage ends, future portions of a prepaid membership or subscription are not eligible for reimbursement.

If an annual membership, subscription, or other recurring fee is paid in advance, reimbursement will be limited to the portion attributable to the employee's period of eligibility.

Advanced Approval

Employees should obtain advance written approval from Human Resources before making an unusual or significant equipment purchase, a private-party purchase, or another expense where eligibility is unclear.

Advance approval confirms that the type of expense is generally eligible, but reimbursement remains subject to the annual limits, documentation requirements, continued eligibility, and other provisions of this policy.

Errors and Misuse

Employees are expected to submit complete and accurate reimbursement requests. If an error or missing documentation is identified, Human Resources will work with the employee to correct the request.

Intentional misuse of the program may include falsifying documentation, seeking duplicate reimbursement, failing to report a refund, purchasing reimbursed items for resale, misrepresenting who incurred or used an expense, or deliberately attempting to circumvent program requirements.

Intentional misuse may result in denial or recovery of reimbursement, revocation of future reimbursement eligibility, and appropriate corrective or disciplinary action in accordance with City policies.

Program Administration

Human Resources will administer the Wellness Reimbursement Program and may establish reasonable administrative procedures to implement this policy.

Because wellness products and services continually change, the examples in this policy are intended as practical guidelines and are not an exhaustive list of eligible expenses. Human Resources will apply the policy consistently and determine whether an expense meets the program's intent and requirements. Employees are encouraged to request clarification before making an expense when eligibility is uncertain.

Program Changes

The City reserves the right to modify reimbursement amounts, eligible expenses, documentation requirements, or other program provisions each calendar year, subject to applicable collective bargaining agreements, benefit plan requirements, and applicable law.



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PERSONNEL COMMITTEE MEMORANDUM

TO: Personnel Committee Members

FROM: Kevin Plockmeyer, Interim City Manager

SUBJECT: Employee Handbook – Appendix G Updates

DATE: October 12, 2026

CC: October 15, 2026 Personnel Committee Meeting

BACKGROUND

Appendix G of the City's Employee Handbook establishes the funding policies associated with employee health, prescription drug, and dental coverage. The Appendix is updated periodically to reflect changes in the City's health-insurance plans, HSA contributions, and other related employee-benefit practices. With the adoption of the City's 2027 employee health-insurance plans, Appendix G should be updated so the Employee Handbook accurately reflects the benefit structure that will become effective January 1, 2027.

PROPOSED 2027 UPDATES

The proposed revisions to Appendix G primarily reflect the health-insurance plan changes being recommended for the 2027 plan year.

The revisions include:

- Updating the effective date of Appendix G to January 1, 2027.
- Removing the existing \$1,700 single/\$3,400 family HSA plan, which will no longer be offered in 2027.
- Adding the new \$2,500 single/\$5,000 family HSA plan and establishing the City HSA contribution at \$1,000 for single coverage and \$2,000 for two-person or family coverage.

FEEL THE ZEEL



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- Maintaining the existing \$2,000 single/\$4,000 family HSA plan and the City HSA contribution of \$1,000 for single coverage and \$2,000 for two-person or family coverage.
 - Updating the City's highest-deductible HSA option to the \$3,500 single/\$7,000 family plan. Consistent with the proposed 2027 funding strategy, employees electing this plan would have a zero or near-zero employee premium contribution, with the difference between the plan premium and the applicable PA 152 hard cap used to fund the employee's HSA, subject to the annual limits and available hard-cap room.
 - Maintaining the City's existing practice of providing dental insurance to active employees without an employee premium contribution.
 - Maintaining the current \$2,500 annual payment for eligible employees who elect to opt out of City health, prescription drug, and dental coverage.

Staff is not recommending changes to the existing Wellness Plan language in Appendix G at this time. The current language already provides that Wellness Plan provisions remain as approved by City Council or as amended by City Council thereafter. Because the City is transitioning away from the current Wellness Program through a phased approach, any related changes will be addressed separately through the Wellness Program policy and related City Council action.

The existing Appendix G also contains the City's policy regarding part-time employees and the Patient Protection and Affordable Care Act. Staff is not recommending changes to that portion of Appendix G as part of this update.

RECOMMENDATION

Staff recommends that City Council approve the proposed revisions to Appendix G of the Employee Handbook effective January 1, 2027.

Kevin Plockmeyer, Interim City Manager

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Appendix G - Funding Policies for Full-Time Employee Health/Rx/Dental Coverage

January 1, 2026

- Employees that are eligible for health insurance that elect the Priority Health 90/70 PPO Versatile Plan through the Western Michigan Health Insurance Pool will pay the premium above the state mandated hard cap.
- Employees that are eligible for health insurance that elect a Priority Health H.S.A. Plan with a ~~\$2,500~~^{\$1,700} deductible for single coverage or ~~\$5,000~~^{\$3,400} deductible for two-person or family coverage through the Western Michigan Health Insurance Pool will pay the premium plus the employer H.S.A. contribution amount above the state mandated hard cap. Employees that elect this coverage will receive ~~\$1,000~~^{\$625} toward their H.S.A. for single coverage or ~~\$2,000~~^{\$1,250} for two-person or family coverage. The amount placed into an employee's H.S.A. will be pro-rated for an employee that starts health coverage after January 1.
- Employees that are eligible for health insurance that elect Priority Health H.S.A. Plan with a \$2,000 deductible for single coverage or \$4,000 deductible for two-person or family coverage through the Western Michigan Health Insurance Pool will pay the premium plus the employer H.S.A. contribution amount above the state mandated hard cap. Employees that elect this coverage will receive \$1,000 toward their H.S.A. for single coverage or \$2,000 for two-person or family coverage. The amount placed into an employee's H.S.A. will be pro-rated for an employee that starts health coverage after January 1.
- Employees that are eligible for health insurance that elect Priority Health H.S.A. Plan with a \$3,500 deductible for single coverage or ~~\$67,000~~ deductible for two-person or family coverage through the Western Michigan Health Insurance Pool will not have an employee contribution amount for health insurance IF the plan's premium amount is below the state mandated hard cap. If the plan's premium is above the state mandated hard cap, employees will pay the premium above the state mandated hard cap. If the plan's premium is below the state mandated hard cap, the difference between the state mandated hard cap and the plan premium (determined annually) will be deposited into an employees' H.S.A. account. The amount placed into an employee's H.S.A. will be pro-rated for an employee that starts health coverage after January 1.
- Wellness Plan provisions will remain as approved by City Council on June 2, 2011 or as amended by City Council thereafter. Employee Wellness Plan contribution credits not earned by the employee and/or spouse will be added to the employee premium contribution above the state mandated hard caps.
- There is no employee contribution for dental coverage for active employees.
- Employees that elect to opt-out of health/Rx and dental coverage will be paid \$2,500 per year in lieu of taking the coverage from the city. The \$2,500 will be distributed over one year in equal installments with the employees' regular bi-weekly check.

Part-time Employees Under Patient Protection and Affordable Care Act (PPACA) as of May 6, 2013

The new health care provisions of the Patient Protection and Affordable Care Act (PPACA) mandate that the City provide health coverage to "essentially all" full-time employees. The federal definition of full-time employees includes part-time workers who average thirty (30) or more hours per week. It has long been the City's policy that employees working less than forty (40) hours per week are not entitled to healthcare benefits.

To manage our responsibilities under PPACA, the following policy is adopted:

1. All part-time employees must report actual hours worked. Part-time employees include all persons who receive a W-2 from the City and typically work less than a forty (40) hour work week. Part-time employees include hourly workers, elected and appointed boards and commissions, election workers, reserve police officers, and persons who are paid-on-call or at a flat rate.
2. Management will establish and enforce work schedules that do not allow part-time employees to average thirty (30) or more hours per week during the measurement period.
3. The measurement period will be a twelve (12) month period commencing on October 1st of each year and ending September 30th of each year, except the first measuring period will be six (6) months beginning May 1, 2013 and ending October 31, 2013.
4. A ninety (90) day administrative period will follow each measurement period. The administrative period will commence on October 1st of each year and end on December 31st of each year, except the first administrative period will be sixty (60) days beginning November 1, 2013. During the administrative period hours tracked during the measurement period are reviewed to ensure the city continues to meet the PPACA definition of offering health coverage to essentially all full-time employees.
5. IF it is found that the city does not meet the “essentially all” definition of offering health coverage, the city will offer health insurance to the employees that do not receive coverage at the conclusion of the measurement period, but averaged 30 or more hours per week during said measurement period. Health coverage provisions:
 - a. Employees averaging thirty (30) or more hours worked per week during the measurement period are provided notice of their health coverage options.
 - b. Employees eligible for City provided health coverage are enrolled in the plan for the period commencing January 1 of each year unless the employee opts out of the City’s health coverage.
 - c. A twelve (12) month stability period (health coverage eligibility) will commence immediately following the administrative period. It will begin on January 1st of each year and end on December 31st of each year. The first stability period will begin January 1, 2014.
 - d. It is the intent of the city to offer coverage to the employee only (single coverage); the plan will be a 60% actuarial equivalent of the plan currently offered to employees that are classified as full-time by the city (40 hours per week); and the minimum contribution will be 20% toward the premium.