CITY OF McALLEN

NOTICE OF JOINT WORKSHOP WITH THE MCALLEN PUBLIC UTILITY BOARD
MONDAY, JULY 27, 2026 – 4:00 PM
MCALLEN CITY HALL
CITY COMMISSION CHAMBERS; 3RD FLOOR
1300 HOUSTON AVENUE
MCALLEN TEXAS, 78501

AGENDA

"At any time during the course of this meeting, the City Commission may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the City Commission under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at any time during the course of this meeting, the City Commission may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code."

CALL TO ORDER

JOINT MEETING WITH McALLEN PUBLIC UTILITY BOARD OF TRUSTEES:

1. City of McAllen Employee Health Plan Review and Recommendations.

END OF JOINT MEETING

2. Present questions to staff relating to the July 27, 2026 Regular Meeting Agenda, to be discussed at such meeting.

3. EXECUTIVE SESSION, CHAPTER 551, TEXAS GOVERNMENT CODE, SECTION 551.071 (CONSULTATION WITH ATTORNEY), SECTION 551.072 (DELIBERATION REGARDING REAL PROPERTY), SECTION 551.074 (PERSONNEL MATTERS) AND SECTION 551.087 (ECONOMIC DEVELOPMENT)

A) Consideration of Economic Development matters. Tex. Gov't. Code §551.087.

B) Consultation with City Attorney regarding legal aspects of contracts. Tex. Gov't. Code §551.071.

C) Consultation with City Attorney regarding pending litigation. Tex. Gov't. Code §551.071.

ADJOURNMENT

IF ANY ACCOMMODATION FOR A DISABILITY IS REQUIRED (OR INTERPRETERS FOR THE DEAF), NOTIFY THE CITY SECRETARY'S DEPARTMENT AT 681-1020 FORTY-EIGHT (48) HOURS PRIOR TO THE MEETING DATE. WITH REGARD TO ANY ITEM, THE BOARD OF COMMISSIONERS MAY TAKE VARIOUS ACTIONS INCLUDING BUT NOT LIMITED TO RESCHEDULING AN ITEM IN ITS ENTIRETY FOR A FUTURE DATE OR TIME.

C E R T I F I C A T I O N

I, the Undersigned Authority, do hereby certify that the above notice of meeting and agenda for the City of McAllen Board of Commissioners is a true and correct copy and that I posted a true and correct copy of said notice of meeting and agenda for the City of McAllen Board of Commissioners on July 21, 2026 on the bulletin board in the municipal building, a place readily accessible to the general public at all times for at least three business days before the scheduled date of the meeting, in accordance with Chapter 551 of the Texas Government Code.

/s/
Perla Lara, TRMC/CMC, CPM
City Secretary

CITY OF McALLEN

ITEM SUMMARY

BOARD: City Commission	AGENDA ITEM	1.
	DATE SUBMITTED	07/16/2026
	MEETING DATE	7/27/2026

1. Agenda Item: City of McAllen Employee Health Plan Review and Recommendations.

2. Party Making Request: Jolee Perez

3. Nature of Request: Review Employee Health Plan and options for next fiscal year.

4. Routing:

Jolee Perez	Created/Initiated - 07/16/2026
Jeff Johnston	Approved - 07/16/2026
Gerardo Noriega	Approved - 07/16/2026
Angie Rodriguez	Final Approval - 07/16/2026

5. Staff Recommendation: Staff recommends approval of recommendations.

6. Advisory Board:

7. City Attorney:

8. Manager's Recommendation:

City of McAllen
Employee Benefits

MEMORANDUM

TO: **Isaac Tawil, City Manager**
CC: **Jeff Johnston, Assistant City Manager**
FROM: **Jolee Perez, Director of Employee Benefits**
DATE: **July 27, 2026**
RE: **Recommendations for the City of McAllen Employee Health Plan for fiscal 2026-27**

The purpose of this agenda item is to provide an overview of the City's self-funded Health Fund performance, present the projected financial position for Fiscal Year 2026-2027, summarize the results of the recently completed Medical Administrative Services Only (ASO) and Pharmacy Benefit Manager (PBM) Requests for Proposals (RFPs), and present staff recommendations intended to maintain the long-term financial stability of the Health Fund while continuing to provide quality healthcare benefits to employees, retirees, and participating agencies.

Background
The City continues to operate a self-funded employee health plan. Over the past several years, the Benefits Department has implemented numerous initiatives designed to improve healthcare quality while moderating long-term costs, including Direct Primary Care, International Prescription (IRX) sourcing for select specialty medications, enhanced care management, and ongoing evaluation of vendor performance.

The City also completed competitive procurement processes during 2026 for both Medical Administrative Services and Pharmacy Benefit Management to ensure the Health Fund continues to receive competitive pricing, favorable contractual terms, and high-quality administrative services.

Health Fund Performance
Recent experience indicates that the City's medical plan has stabilized following implementation of Direct Primary Care. Medical expenditures have generally tracked at or slightly below national healthcare trend expectations during the past two completed plan years despite continued healthcare inflation and increasing claim severity.

Although the number of high-cost claimants reached a peak following the COVID-19 pandemic, those claim counts have since declined. However, the average cost associated with catastrophic claims has continued to increase significantly, reflecting increasing treatment complexity and higher-cost specialty care throughout the healthcare industry.

Analysis also demonstrates meaningful changes in healthcare utilization. Members actively utilizing Direct Primary Care generally present with more chronic medical conditions than non-participating members while simultaneously experiencing lower inpatient admission and readmission rates.

Pharmacy Performance
Pharmacy expenses continue to represent the greatest financial challenge facing the Health Fund.

Unlike historical pharmacy inflation, current increases are largely attributable to specialty medications, oncology therapies, biologic drugs, and GLP-1 medications rather than increased prescription utilization. Approximately 6.7 percent of covered members currently utilize GLP-1 medications, representing roughly twenty percent of the Health Fund's total pharmacy expenditures.

The City's implementation of International Prescription (IRX) sourcing has significantly moderated pharmacy cost growth by reducing the cost of certain high-cost medications while maintaining member access to treatment. As a result, the City's pharmacy trend has improved from exceeding national benchmarks to performing below national trend expectations despite continued increases in specialty medication utilization.

Financial Position
While operational performance has improved, the Health Fund continues to face significant financial pressure.

Current funding levels are projected to be insufficient to fully support Fiscal Year 2026-2027 operating expenses if contribution levels remain unchanged. Additionally, existing funding levels do not provide adequate capacity to rebuild Health Fund reserves or satisfy the outstanding interfund loan repayment while maintaining appropriate financial stability.

Historically, the Health Fund has been budgeted based upon expected annual claims. This approach proved sustainable while reserve balances remained healthy. However, as reserves declined over time, the Health Fund became increasingly susceptible to annual operating deficits whenever claims exceeded expectations.

Industry best practice is to fund toward maximum claims liability rather than expected claims alone, thereby providing adequate financial protection, reserve development, and greater long-term stability. Staff recognizes that transitioning immediately to this funding methodology would require substantial premium increases. Accordingly, the recommended Fiscal Year 2026-2027 budget represents an incremental approach by funding expected claims with a modest financial margin while planning for additional phased adjustments over the next one to two fiscal years.

Premium Recommendations
Staff recommends premium adjustments for active employees that better align Health Fund revenues with projected operating expenses while also beginning repayment of the outstanding Health Fund loan over a multi-year period.

The recommended contribution adjustments include:

- Employer contribution increase of approximately $155 per month.
- Employee contribution increase of approximately $24 per month.

Staff does not recommend corresponding premium increases for retiree coverage. Current retiree enrollment has declined in recent years, and additional premium increases could further reduce participation, adversely affecting the financial stability of the retiree plan.

Survey data also indicates that the City's employee-only contributions remain generally competitive with comparable employers while dependent coverage continues to be among the most heavily employer-subsidized plans within the benchmark group.

Medical Administrative Services RFP
The City issued a competitive Request for Proposals for Medical Administrative Services during the spring of 2026, supported by the services of Tommy Taylor with Higginbotham as consultant.

Following a comprehensive evaluation of all qualified proposals, including Best and Final Offers from the highest-ranked respondents, staff concluded that United Healthcare provides the overall best value to the City.

United Healthcare's proposal offers competitive administrative pricing, favorable provider contracting, minimal disruption to covered members, continued integration with existing vendor partnerships, fixed pricing for out-of-network negotiation services, continued participation in the Health Action Council cooperative purchasing program, and overall operational continuity.

Accordingly, staff recommends awarding Medical Administrative Services to United Healthcare for an initial three-year term with the option to extend for two additional years at the discretion of the City Manager, subject to continued favorable performance and pricing.

Pharmacy Benefit Manager RFP
The City also completed a competitive procurement for Pharmacy Benefit Management services, supported by the services of Honest Rx as consultant.

Following evaluation of eight proposals, Liviniti achieved the highest overall evaluation score and presented the most advantageous financial and operational proposal.

Liviniti's proposal provides guaranteed savings estimated at approximately $58.13 per member per month throughout the contract term, minimal formulary and pharmacy disruption, continued integration with the City's International Prescription program, improved rebate methodology through a pass-through arrangement, and enhanced clinical management programs designed to reduce future pharmacy costs.

Staff recommends awarding Pharmacy Benefit Manager services to Liviniti effective October 1, 2026, for an initial three-year term with two optional one-year extensions at the discretion of the City Manager.

Fiscal Impact
Collectively, the recommended initiatives are expected to substantially improve the long-term financial position of the Health Fund through premium adjustments, vendor savings, pharmacy cost reductions and operational efficiencies These initiatives are projected to produce annual financial improvements exceeding $6.2 million.

Staff respectfully recommends approval of the following actions:

1. Approve the recommended premium contribution adjustments for active employees effective October 1, 2026, with no premium increase for retirees.
2. Award the Medical Administrative Services contract to United Healthcare for a three-year term, with the option to extend for two additional years at the City Manager's discretion.
3. Award the Pharmacy Benefit Manager contract to Liviniti for a three-year term, with the option to extend for two additional years at the City Manager's discretion.

City of McAllen

Employee Benefits

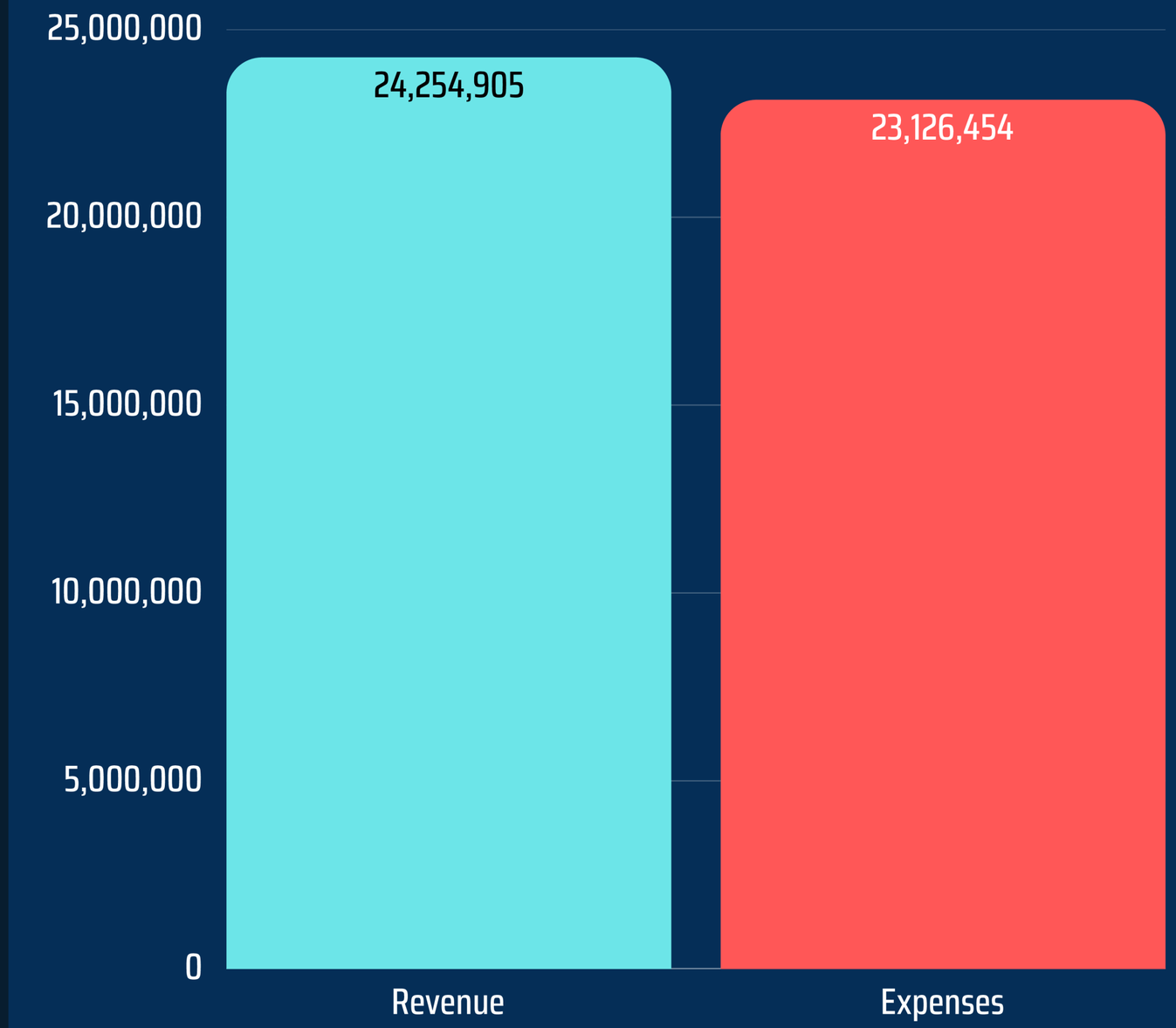
EXECUTIVE SUMMARY

- In looking ahead at fiscal 2026-27, we are anticipating a shortfall of approximately $2.8M if everything remains the same and no action is taken.
- After discussion with the City Manager, several recommendations are being presented for your consideration.
- It is our belief that upon implementing these recommendations, it creates a margin of approximately $2.2M net positive to begin establishing a reserve within the fund.

ACTIVE FUND

BUDGET 25-26

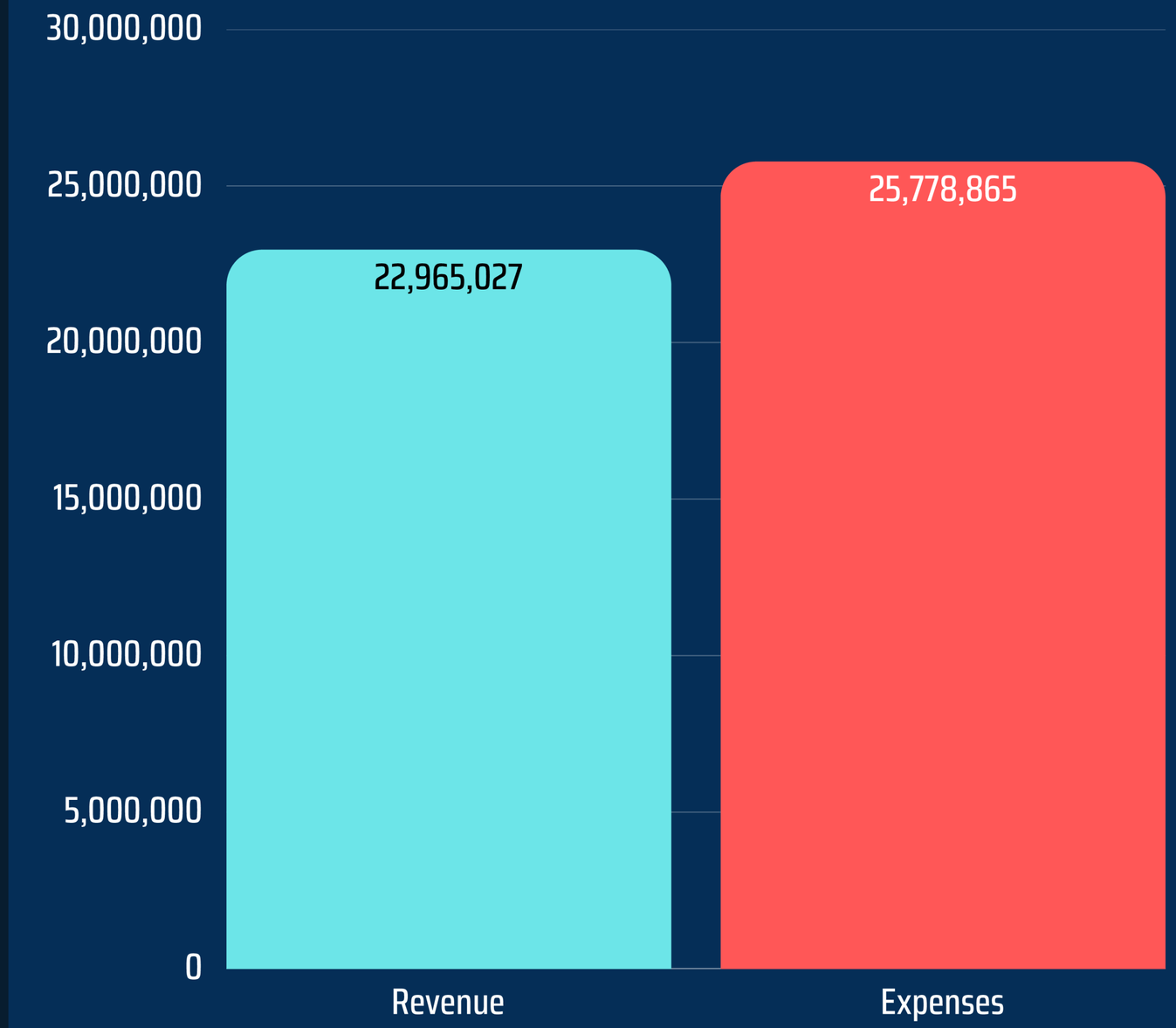
CURRENT EXPECTATION FOR YEAR END



ACTIVE FUND

BUDGET 26-27

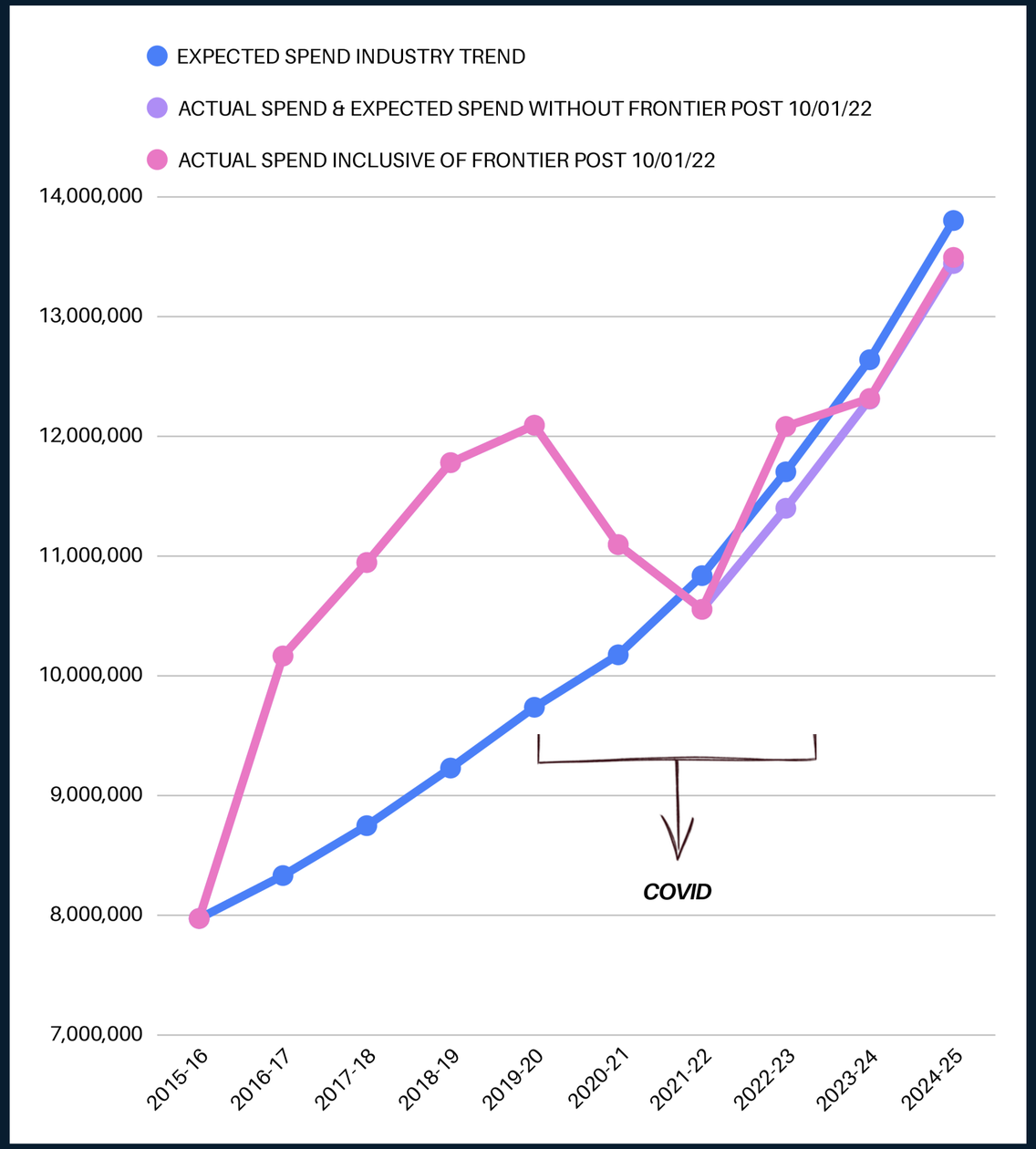
BEFORE ANY RECOMMENDED ACTIONS



ACTIVE FUND

BUDGET 26-27

AFTER RECOMMENDED ACTIONS



10 YEAR MEDICAL SPEND TREND ANALYSIS

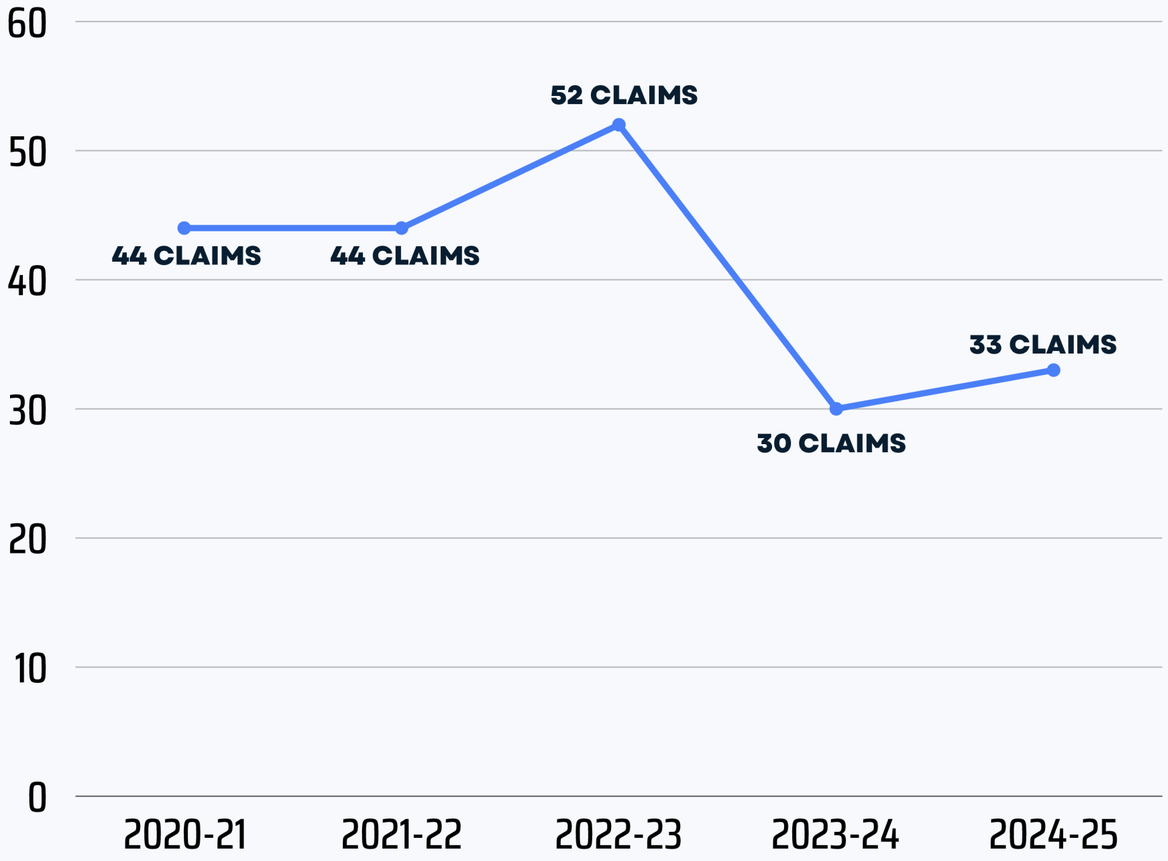
Prior to 2019-20, our expenses were increasing at a rate that was significantly where we should have been given the industry medical trend.

Plan years 2020-2022 were dramatically lower due to the impact of the COVID pandemic and the delay and/or the elimination of care during that period.

Plan year 2022-23 saw the reemergence of care and the execution of delayed care spiking expenses, however it was relatively close, slightly elevated, over the industry trend projection. This includes our peak high dollar claimant count.

Years 2023-2025 remained steady and just under industry trend projections, indicating a more stabilized experience.

HIGH COST CLAIMANTS



High Dollar Claims, defined as those exceeding $50,000, have gradually increased in recent years, reaching a record high in 2022-23. These claims typically stem from lifestyle and chronic conditions, which develop over time.

The 2022-23 is likely related to the delay of care during the COVID pandemic.

However, 2023-24 marked the first real decline in such claims in a decade.

OUTCOMES

Metric	FY Ending 2023	FY Ending 2024	FY Ending 2025
Patient Count - FDC	2,444	2,648	2,668
Patient Count - UHC	1,427	1,217	1,272
Avg Conditions / Member - FDC	3.5	3.2	3.0
Avg Conditions / Member - UHC	2.0	1.7	1.3
Med Spend PMPM - FDC	$253.17	$356.60	$412.27
Med Spend PMPM - UHC	$114.46	$151.33	$148.15
In Patient Admits / 1K - FDC	176.35	245.47	146.55
In Patient Admits / 1K - UHC	201.82	297.45	198.90
In Patient Readmits / 1K - FDC	25.37	46.07	30.73
In Patient Readmits / 1K - UHC	35.74	62.45	43.24

OUTCOMES

Metric	FY Ending 2022	FY Ending 2023	FY Ending 2024	FY Ending 2025
UHC Primary Care Visits	9,362	5,070	3,681	3,185
UHC Primary Care Visits Expense	$550,588	$266,508	$150,444	$138,390
UHC Urgent Care Visits	215	155	120	102
UHC Urgent Care Visits Expense	$32,208	$19,311	$14,746	$8,661
UHC ER Visits	601	418	412	468
UHC ER Visits Expense	$36,355	$13,698	$9,342	$7,971
UHC Spend Compared YOY	Baseline	($722,934)	($83,871)	$65,686
Frontier Visits	Baseline	8,648	10,909	11,682
Frontier Texts	Baseline	72,399	78,525	81,601
Frontier Calls	Baseline	15,948	22,502	25,780

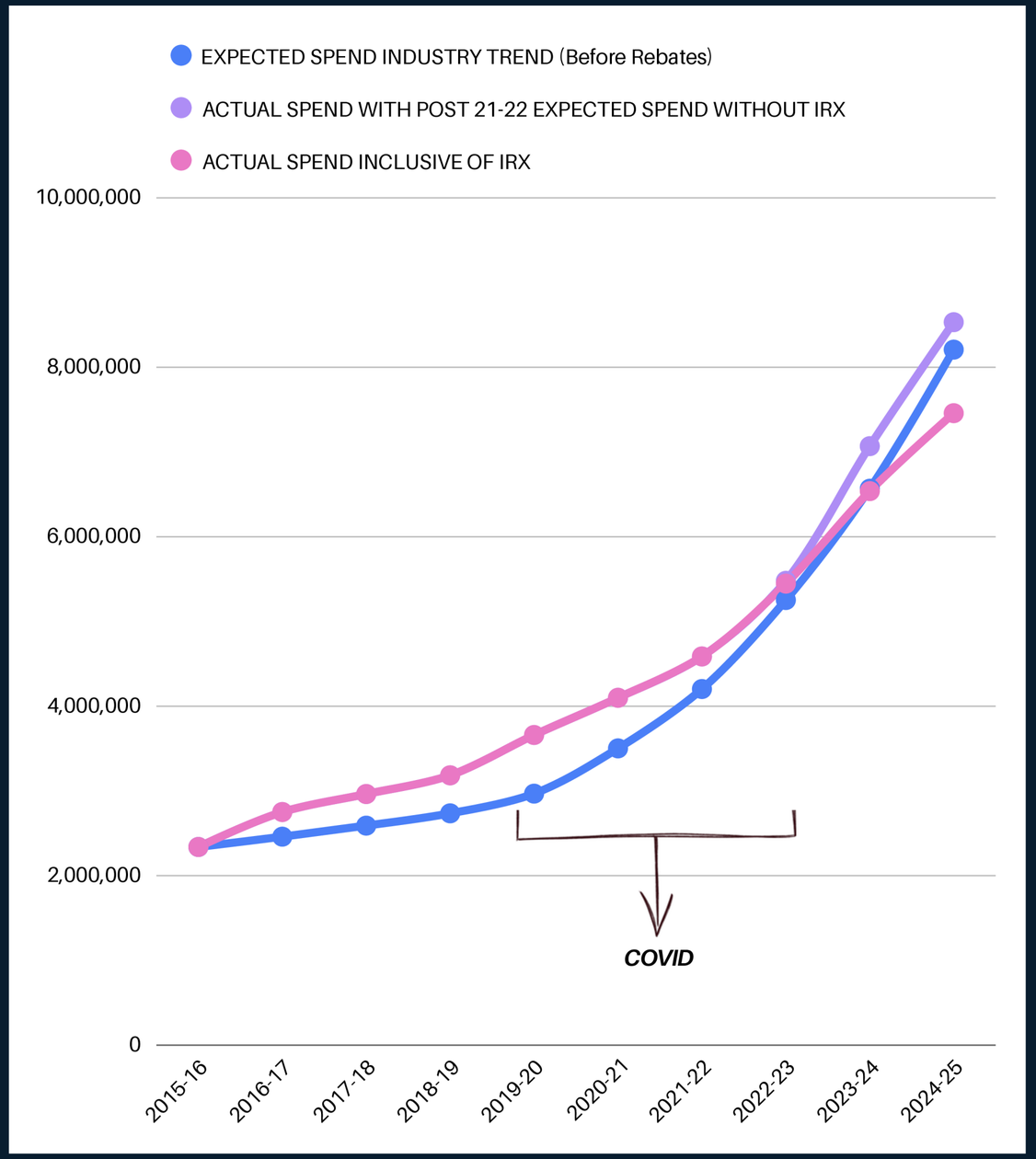
10 YEAR PHARMACY SPEND TREND ANALYSIS

This trend reflects that our increase in pharmacy expenses is relatively consistent with industory trend over all ten years.

In late 2022-23, we introduced International Rx (IRX) for high cost medication improvements.

However, prior to 2023-24, we were above the industry trend line, meanwhile afterwards we were able to either meet or beat the industry trend.

Additionally, the chart reflects post 2022-23 spend had IRX never been implemented.



PHARMACY EXPERIENCE OVERVIEW

- Pharmacy increases due to utilization changes, not increases in count of filled scripts
- Pharmacy trend experience by City was above industry trend up untill 2022-23
- Since Implementing International Rx in late 2022-23 the City's trend has improved
- City trend experience in 2024-25 performed below industry trends
- Pharmacy is costing more year over year, but the City's structure keeps it as tight as it can be

PHARMACY EXPENSE DRIVERS

- GLP-1, Cancer Therapies, Specialty Biologics, Complex Chronic Disease Treatments.
- GLP-1 represents 6.7% of population, 20% of total pharmacy spend
- Injectables are an example of increased cost but same utilization patterns
- Hemlibra dosing increases, Humira and Tavneos increased utilization, Cancer Medications
- Continued view of increased complexity vs. utilization increases

PHARMACY COST MANAGEMENT

- International Rx (IRX)
- IRX impact on Ozempic & Mounjaro expenses
- IRX savings and impact on trends
- Frontiers impact on Diabetes

RECOMMENDATIONS

BUDGET APPROACH
MOVING TOWARDS LONG-TERM FINANCIAL STABILITY

Historical Funding Approach	Long-Term Funding Goal
Covers projected annual expenses only	Funds to the plan's maximum financial exposure
Limited ability to absorb high dollar claims	Supports reserve growth and financial stability
Less reserve accumulation	Protects against adverse claims experience
Higher risk of annual deficits	Maximum liability, established through underwriting, protects against deficits

- Premium recommendations are designed to fund expected claims based on current renewal projections.
- Recommendations include a modest margin above expected expenses to improve financial stability.
- Additional phased premium adjustments will be necessary over the next 1-2 fiscal years to establish healthy reserves and move the plan toward a more sustainable long-term funding strategy.

PREMIUM CHANGES

METHODOLOGY	MONTHLY RATES BY TIER	Base Plan EE Only	Base Plan EE + SP	Base Plan EE + CH	Base Plan EE + Fam	ANNUAL REVENUE	INCREASE TO REVENUE
CURRENT PREMIUMS	EE Subsidy Percentage	92%	92%	92%	92%	$20,911,200	
	Dep Subsidy Percentage	N/A	44%	47%	45%		
	EE / EE Participation Contribution	$ 60	$ 60	$ 60	$ 60		
	EE / Dep Participation Contribution	N/A	$ 278	$ 220	$ 304		
	City / EE Participation Contribution	$ 695	$ 695	$ 695	$ 695		
	City / Dep Participation Contribution	N/A	$ 216	$ 198	$ 244		
	TOTAL PREMIUM	**$ 755**	**$ 1,249**	**$ 1,173**	**$ 1,303**		
Funding for Claims & Loan Repayment over 4 Years	EE Subsidy Percentage	91%	91%	91%	91%	$24,975,216	$4,064,016
	Dep Subsidy Percentage	N/A	44%	47%	45%		
	EE / EE Participation Contribution	$ 84	$ 84	$ 84	$ 84		
	EE / Dep Participation Contribution	N/A	$ 278	$ 220	$ 304		
	City / EE Participation Contribution	$ 850	$ 850	$ 850	$ 850		
	City / Dep Participation Contribution	N/A	$ 216	$ 198	$ 244		
	TOTAL PREMIUM	**$ 934**	**$ 1,428**	**$ 1,352**	**$ 1,482**		

MEDICAL RFP AWARD

- In late spring of 2026 the City issued an RFP for Medical – inclusive of options for Administrative Services Only (ASO) and Level Funded Options.
- City staff, along with Tommy Taylor from Higginbotham evaluated all proposals received.
- Level Funded, a marketing term only, is simply a bundled package of Medical, RX and Individual and Aggregate Stop Loss.
- All proposals received were evaluated as an ASO, given that none offered a complete bundled package with aggregate cap to be considered as “level-funded”.
- After discussion with the City Manager, it is our recommendation to award renewal to United Healthcare for a period of (3) years, plus (2) year extension at City Manager’s discretion should terms remain favorable.

PHARMACY BENEFIT MANAGER RFP AWARD

- In early spring of 2026 the City issued an RFP for the Pharmacy Benefit Manager.
- City staff, along with Honest Rx, evaluated all proposals received.
- There were eight proposals received, all of which were considered responsive.
- After reviewing each submission, four were selected for continued vetting.
- Liviniti is the vendor that provided the most advantageous plan and pricing.
- Liviniti's proposal has a guaranteed savings of $58.13 PMPM or $1.2M annually.
- Liviniti's proposal also secured full rebate pass through instead of a fixed credit.
- It is our recommendation to award PBM services to Liviniti effective October 1, 2026 for a period of (3) three years, with an option to renew for (2) two years at City Manager's discretion should terms remain favorable.

RECOMMENDATIONS

- Premium changes to active employees only (non-retiree)
- Award of Medical ASO services to UHC
- Award of Pharmacy Benefit Manager to Liviniti

These savings are inclusive of Active & Retiree Funds.

PREMIUM CHANGES	**$4,018,318**
ACTIVE FUND	***$4,018,318***
MEDICAL RFP AWARD	**$1,044,879**
ACTIVE FUND	***$1,015,490***
RETIREE FUND	***$29,389***
PHARMACY RFP AWARD	**$1,200,000**
ACTIVE FUND	***$1,000,000***
RETIREE FUND	***$200,000***

INCREASE TO REVENUE $4,018,318
SAVINGS TO FUNDS $2,244,879

TOTAL IMPACT $6,263,197

FUTURE OPPORTUNITIES

THANK YOU

CITY OF McALLEN

ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM 2.
DATE SUBMITTED
MEETING DATE 7/27/2026

1. Agenda Item: Present questions to staff relating to the July 27, 2026 Regular Meeting Agenda, to be discussed at such meeting.
2. Party Making Request:
3. Nature of Request:
4. Routing:
   Emmanuel Garcia Created -
5. Staff Recommendation:
6. Advisory Board:
7. City Attorney:
8. Manager's Recommendation:

CITY OF McALLEN

ITEM SUMMARY

BOARD:	AGENDA ITEM	3.A.
	DATE SUBMITTED	
	MEETING DATE	7/27/2026

1. Agenda Item:
   Consideration of Economic Development matters. Tex. Gov't. Code §551.087.

2. Party Making Request: Austin Stevenson

3. Nature of Request:

4. Routing:
   Crystal Montano Created -

5. Staff Recommendation:

6. Advisory Board:

7. City Attorney:

8. Manager's Recommendation:

CITY OF McALLEN

ITEM SUMMARY

BOARD:	AGENDA ITEM	3.B.
	DATE SUBMITTED	
	MEETING DATE	7/27/2026

1. Agenda Item:
   Consultation with City Attorney regarding legal aspects of contracts. Tex. Gov't. Code §551.071.

2. Party Making Request:

3. Nature of Request:

4. Routing:
   Crystal Montano Created -

5. Staff Recommendation:

6. Advisory Board:

7. City Attorney:

8. Manager's Recommendation:

CITY OF McALLEN

ITEM SUMMARY

BOARD:	AGENDA ITEM	3.C.
	DATE SUBMITTED	
	MEETING DATE	7/27/2026

1. Agenda Item:
   Consultation with City Attorney regarding pending litigation. Tex. Gov't. Code §551.071.

2. Party Making Request:

3. Nature of Request:

4. Routing:
   Crystal Montano Created -

5. Staff Recommendation:

6. Advisory Board:

7. City Attorney:

8. Manager's Recommendation: