STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF MCALLEN

The McAllen Board of Commissioners convened a Joint Workshop with the McAllen Public Utility Board on **Monday, July 27, 2026,** at 4:00 pm, at McAllen City Hall Third Floor (3rd) Commission Chambers.

Mayor Javier Villalobos, Mayor Pro Tem Jose R. "Pepe" Cabeza de Vaca, Commissioner Antonio "Tony" Aguirre, Jr., Commissioner Joaquin Zamora, Commissioner Rolando "Rolly" Rios, Commissioner Michael Fallek, Trustees Ricardo "Ric" Godinez and Ernest Williams were present

Absent: Commissioner Rodolfo "Rudy" Castillo, Charles Amos, and Albert Cardenas

Also, present City Manager Isaac Tawil, City Attorney Austin Stevenson, Deputy City Manager Michelle Rivera, Assistant City Manager Jeff Johnston, Assistant City Manager Elvira Alonso, City Secretary Perla Lara

CALL TO ORDER

JOINT MEETING WITH MCALLEN PUBLIC UTILITY BOARD OF TRUSTEES:

Mayor Javier Villalobos called the meeting to order at 4:02 pm. Mr. Ernest Williams called the MPU Bord meeting to order at 4:05 pm.

1. CITY OF MCALLEN EMPLOYEE HEALTH PLAN REVIEW AND RECOMMENDATIONS.

Ms. Jolee Perez, Benefits Director, addressed the City Commission and presented an executive summary noting that in looking ahead at fiscal 2026-27, the City is projecting an approximate $2.8 million shortfall if current conditions remain unchanged and no corrective actions are taken. Ms. Perez noted that, following discussions with the City Manager, several recommendations are being presented for the Commission's consideration. She explained that implementation of the recommended actions would generate an estimated $2.2 million positive margin, allowing the City to begin establishing a reserve within the fund.

Ms. Perez reviewed the FY 2025–2026 Active Fund Budget and the current year-end expectations. She also reviewed the FY 2026–2027 Active Fund Budget before the implementation of any recommended actions, as well as the projected budget after the proposed recommendations.

Additionally, Ms. Perez presented a 10-Year Medical Spend Trend Analysis, covering fiscal years prior to 2019–2020 through 2024–2025. She reviewed high-cost claimants, outcomes for fiscal years ending 2023, 2024, and 2025, and provided an overview of the 10-Year Pharmacy Spend Trend Analysis, including pharmacy experience, expense drivers, and cost-management strategies. It was explained that, prior to Plan Year 2019–2020, medical expenses were increasing at a rate significantly higher than expected when compared to industry medical trend benchmarks. Ms. Perez noted that Plan Years 2020–2021 and 2021–2022 experienced substantially lower expenses due to the impacts of the COVID-19 pandemic, including the postponement, delay, or elimination of medical care during that period. She also explained that Plan Year 2022–2023 reflected the reemergence of medical services and the completion of previously delayed care, resulting in a spike in expenses. Despite the increase, costs remained relatively close to, though slightly above, industry trend projections. She noted that this period also included the City's peak number of high-cost claimants. Ms. Perez further reported that Plan Years 2023–2024 through 2024–2025 remained relatively stable and trended slightly below industry projections, indicating a more stabilized claims experience and improving cost trends within the health plan.

Ms. Perez discussed the trend in high-dollar claimants, defined as individuals with claims exceeding $50,000 annually. She noted that the number of high-dollar claimants has gradually

increased over recent years, reaching a record high during Plan Year 2022-2023. These claims are typically associated with lifestyle-related and chronic health conditions that develop over time and often require ongoing, costly treatment. It was explained that elevated number of high-dollar claims in 2022-2023 was likely influenced by delayed or deferred medical care during the COVID-19 pandemic, as individuals sought treatment for conditions that had gone unaddressed during that period. She also noted that Plan Year 2023-2024 marked the first meaningful decline in high collar claimants in approximately a decade, indicating a positive shift in the plan's overall claims experience. The decrease suggests a return to a more stable utilization pattern following the disruptions caused by the pandemic.

Ms. Perez presented a pharmacy experience overview and discussed as follows:

- Pharmacy increase due to utilization changes, not increases in count of filled scripts
- Pharmacy trend experience by City was above industry trend up until 2022-23
- Since Implementing International RX in late 2022-23 the City's trend has improved
- City trend experience in 2024-2025 performed below industry trends
- Pharmacy is costing more year after -year, but the City's structure keeps it as tight as it can be

She also mentioned the pharmacy expense drivers and cost management as follows:

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

Outcomes for FY Ending 2022, FY Ending 2023, FY Ending 2024 and FY Ending 2025 were discussed for the following metrics:

- Patient Count-FDC
- Patient Count-UHC
- Avg. Conditions / Member-FDC
- Avg. Conditions / Member – UHC
- Med Spend PMPM-FDC
- Med Spend PMPM-UHC
- In Patient Admits / 1K-FDC
- In Patient Admits / 1K-UHC
- In Patient Readmits / 1K-FDC
- In Patient Readmits / 1K-UHC
- UHC Primary Visits
- UHC Primary Care Visits Expenses
- UHC Urgent Care Visits
- UHC Urgent Care Visits Expenses
- UHC ER Visits
- UHC ER Visits Expense
- UHC Spend
- Fronter Visits, Texts and Calls

Ms. Perez briefly discussed the budget approach aimed at achieving long-term financial stability. She reviewed premium recommendations, including additional phased premium adjustments, and discussed premium changes, calculation methodology, and current premium rates as follows:

- 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.

In addition to budget approach, moving towards long-term financial stability was discussed:

- Funds for the plan's maximum financial exposure
- Supports reserve growth and financial stability
- Protects against adverse claims experience
- Maximum liability, established through underwriting, protects against deficits

It was mentioned that the pharmacy benefit manager RFP award process. She added that it was their recommendation to award the PBM services to Liviniti effective October 1, 2026, for a period of 3 years, with an option to renew for 2 two years at City Manager's discretion should terms remain favorable.

Ms. Perez informed the City Commission that, following discussions with the City Manager, it is the administration's recommendation to award the health insurance renewal contract to United Healthcare for a term of three (3) years, with the option for an additional two-year extension at the City Manager's discretion, provided the contract terms and conditions remain favorable to the City. Ms. Perez stated that the proposed arrangement would provide continuity of coverage, stability in plan administration, and greater long-term predictability for the City's employee health benefits program. She noted that any future extension would be evaluated based on market conditions, performance, and the overall benefit to the City.

A discussion ensued. Comments and concerns were shared. Questions were raised as to International RX utilization cost, pharmacy costs, plans, increases and expenses, stop-loss program, contract terms, retirees, direct primary care programs, active management, premium changes to active employees compared to entities in the area, benefit offering, cost and claims management, total number of employees and employees plus family, contract termination ability, Liviniti vendor, three years and continuing challenges, premium cost general fund, and enterprise funds. Staff answered questions posed by city commission and MPUB board members.

It was noted that item is included in the regular meeting agenda for action and possible consideration.

END OF JOINT MEETING

At this time the city commission recessed into executive session.

2. PRESENT QUESTIONS RELATING TO STAFF RELATING TO THE JULY 27, 2026, REGULAR MEETING AGENDA, TO BE DISCUSSED AT SUCH A MEETING.

There were no questions regarding July 27, 2026, regular meeting agenda.

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 REGRDING LEGAL ASPECT OF CONTRACTS. TEX. GOV'T. CODE 551.071.

C) CONSULTATION WITH CITY ATTORNEY REGARDING PENDING LITIGATION. TEXAS GOV'T. CODE 551.071.

PUBLIC COMMENT: Jorge Cruz Saenz

ADJOURN

Without objection, the meeting adjourned at 4:55 p.m.

Javier Villalobos
Mayor

Attest:

Perla Lara, TRMC/CMC, CPM
City Secretary