



---

# Board of Supervisors Memorandum

---

December 6, 2022

## Medical and Dental Insurance for County Employees - Fiscal Year 2023/24

### Background

Pima County is now preparing for next year's benefits plan and as part of that process costs are carefully evaluated. As you know, Pima County made the decision to transition to self-insurance for medical coverage in July of 2013. For FY 2023/24, the projected total medical and pharmaceutical claims cost is \$59.5 million of which 86 percent is funded by Pima County (Tax Payer) and 14 percent is funded by the employees. As detailed in Table 1, Pima County employees have experienced three annual increases in rates in the last five years, with last two-year's increase being 11.48 percent.

Table 1: Five-Year History of Medical Rates

HDHP	2018/19	2019/20	2020/21	2021/22	2022/23
Employee Only	\$35.00	\$35.00	\$38.01	\$42.38	\$47.25
Employee + Spouse	46.13	46.13	50.10	55.86	62.27
Employee + Child(ren)	45.13	45.13	49.02	54.65	60.92
Employee + Family	62.27	62.27	67.63	75.40	84.06

### Pima County Health Care Benefits Trust

The Pima County Health Care Benefits Trust (Trust) currently has a balance of \$13.0 million, as of audited financial statements for June 30, 2022, with a projected net position of \$11.5 million by June 30, 2023. Pima County, along with our Health Care Benefits Trust Board (HBT), want to ensure that we sustain a healthy balance going forward. As a result, the HBT would like Pima County to maintain a minimum of four months projected claims and expenses on hand as a reserve. This total currently equates to approximately \$19.6 million of needed reserves, which will be approximately \$8.1 million less than projected for June 30, 2023. At its meeting of November 17, 2022, the HBT unanimously approved the recommendation that Pima County increase the reserves by \$8.1 million (15.03 percent) funded over the next two years with a recommendation that no less than \$4.0 million (7.52 percent) be in FY 2023/24, and an additional \$5 million (9.45 percent) for projected medical costs.

### Improving Health through Healthy Lifestyle Premium Discounts (HLPDs)

In order to maintain and improve the health of our employees, the County offers premium discounts to employees that participate in the Employee Wellness Program. We offer up to

a \$35.00 discount per pay period (\$910.00 annually) for employees who meet the eligibility requirements. Table 2 shows the discounts available for next fiscal year.

Table 2: Healthy Lifestyle Premium Discounts

FY2022/23 Discounts		
Discount #1	Be Tobacco-Free	\$20.00
Discount #2	Healthy Lifestyle Activity Points	
	Level 1: 15,000 – 29,999 Activity Points	5.00
	Level 2: 30,000 – 44,000 Activity Points	10.00
	Level 3: 45,000 or more Activity Points	15.00
	Maximum Discount	\$35.00

Currently 97 percent of our enrolled employees are enjoying one or more of the available discounts and the Employee Wellness Program continues to receive positive feedback from participants. Many are on their way to earning points in order to receive their discount for July 1, 2023.

### Medical Costs

This year, the County has experienced higher medical and pharmaceutical claims than we have in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 9.0 percent for Medical and Pharmacy. Pima County engages CBIZ Consulting to provide expert advice in analyzing our medical and pharmaceutical claims data as well as national trends. Based upon their analysis of the most recent 24 months of claims activity, Pima County’s FY 2023/24 Health Plan Funding Projection is calling for a 9.45 percent increase just to cover the anticipated claims. In order to cover the cost of expected increase claims for FY 2023/24, Pima County will need to increase rates to the employee and the County for the coming plan year. Employee increases would range from \$4.47 to \$7.94 per pay period, dependent upon the coverage selected. Table 3 below provides the medical rates proposed for FY 2023/24.

Table 3: Medical Rates

		Current Rates FY 2022/23		Proposed Rates FY 2023/24			
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee Portion w/\$35 HLPD	Employee Change
Employee Only	2265	\$47.25	\$177.61	\$51.72	\$194.39	\$16.72	\$4.47
Employee + Spouse	775	62.27	452.25	68.15	494.99	33.15	5.88

Employee + Child(ren)	661	60.92	439.36	66.68	480.87	31.68	5.76
Employee + Family	1109	84.06	648.25	92.00	709.52	57.00	7.94

**Health Savings Accounts (HSA)**

For active employees enrolled in the High Deductible Health Plan (HDHP) with HSA, Pima County makes annualized HSA contributions to the individual accounts in the amount of \$1,000 (\$38.46 bi-weekly) for those employees enrolled in Employee only coverage and \$2,000 (\$76.92 bi-weekly) for those employees that also cover one or more dependents. These contributions amounts equate to 50 percent of the plan year deductible. Collectively active employees have over \$19.7 million saved. The HDHP with HSA continues to be a significant cost savings benefit for our employees with favorable feedback. I recommend keeping the funding level for HSAs the same as it is currently.

**Dental Coverage**

Beginning July 1, 2020, Pima County entered into two new contracts for dental services. Delta Dental of Arizona is the Self-Funded Dental Plan administrator and United Concordia/Solstice provides the fully insured Dental Health Maintenance Organization (DHMO) plan.

Table 4 below provides the dental rates for the Self-Funded Dental Plan proposed for Fiscal Year 2023/24. The fully insured plans bi-weekly rates will remain the same per the contract as shown in Table 5 below.

Table 4: Self-Funded Dental Rates

Pima County Self-Funded Dental Plan	Current Rates FY 2022/23			Proposed Rates FY 2023/24		
	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee Change
Employee only	1,445	\$9.84	\$9.84	\$10.00	\$10.00	\$0.16
Employee + Spouse	624	16.59	16.59	16.86	16.86	0.27
Employee + Child(ren)	476	15.65	15.65	15.91	15.91	0.26
Employee + Family	886	22.37	22.37	22.74	22.74	0.37

Table 5: Fully Insured Dental Rates

Dental Health Maintenance Organization	Current Rates FY 2022/23			Proposed Rates FY 2023/24	
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion
Employee only	779	\$1.84	\$1.84	\$1.84	\$1.84
Employee + Spouse	256	\$3.89	\$3.89	\$3.89	\$3.89
Employee + Child(ren)	183	\$5.40	\$5.40	\$5.40	\$5.40
Employee + Family	316	\$5.84	\$5.84	\$5.84	\$5.84

**Options for addressing the \$8.1 million reserve shortage as well as \$5 million expected in increased claims for 2023/24.**

Option 1: Fund the Trust Reserve with an operating transfer of \$8 million from the General Fund (15.03 percent) for FY 2023/24 and increase premiums to cover the expected \$5 million (9.45 percent) increase in medical and pharmaceutical costs. This would equate to a 9.45 percent increase in premiums.

Option 2: Fund the Trust Reserve with an operating transfer of \$6 million from the General Fund (11.28 percent) for FY 2023/24 and fund the remaining \$2 million from the General Fund (3.75 percent) in FY 2024/25 and increase premiums to cover the expected \$5 million (9.45 percent) increase in medical and pharmaceutical costs. This would equate to a 9.45 percent increase in premiums.

Option 3: Fund the Trust Reserve with an operating transfer of \$4 million from the General Fund in both FY 2023/24 and FY 2024/25 (7.52 percent each year) and increase premiums to cover the expected \$5 million (9.45 percent) increase in medical and pharmaceutical costs. This would equate to a 9.45 percent increase in premiums.

Option 4: Fund the Trust Reserve over two years through increased premiums for \$4 million (7.52 percent) for the Reserve and \$5 million (9.45 percent) to cover the expected increases in medical and pharmaceutical costs. This would equate to a 16.97 percent increase in premiums.

Option 5: Fund the Trust Reserve through increased premiums for \$8 million (15.03 percent) and \$5 million (9.45 percent) to cover the expected increases in medical cost. This would equate to a 24.48 percent increase in premiums.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Medical and Dental Insurance for County Employees - Fiscal Year 2023/24**  
December 6, 2022  
Page 5

**Recommendation**

It is my recommendation that the Board of Supervisors approve this employee benefits package as described above by:

1. Approve Option 1 as detailed above.
2. Adopt Medical premium equivalents increased as detailed above.
3. Continue offering up to \$35 per pay period for participating in the HLPD program.
4. Increase Self-Funded Dental premium equivalents as detailed above.
5. Continue current fully insured dental premiums as detailed above.
6. Continue County HSA contributions as detailed above.

Sincerely,



Jan Lesher  
County Administrator

JKL/dym – November 18, 2022

c: Ellen Moulton, Director, Finance and Risk Management  
Cathy Bohland, Director, Human Resources