



Board of Supervisors Memorandum

February 7, 2017

Employee Benefits for Fiscal Year 2017/18

Introduction

Fiscal Year (FY) 2017/18 will be our fifth year under a self-insured model for medical and pharmacy benefits. Based on the performance of the Health Benefits Insurance Trust, I am recommending no increase in insurance rates for next fiscal year. Review of all of the Health Benefits Insurance Trust financial reports reconfirmed the transition to self-insurance was a financially prudent decision for employees, as well as the County. While healthcare costs are rising, Pima County has done an exceptional job of mitigating those increases through consumerism and engagement in healthier lifestyles. Pima County's health plan continues to be quite competitive with the other local jurisdictions based on both cost and plan design. As premium costs are lower in the High Deductible Health Plan (HDHP), many employees are now saving Health Savings Account (HSA) dollars for future medical expenses. This is particularly encouraging, as this was one of the primary goals when HSAs were first introduced.

Continuation of Strategic Plan

Pima County's strategic plan to minimize the rising costs of healthcare has been in place for many years. In FY 2016/17, another major step was achieved when the County transitioned to offer only High Deductible Health Plans. Over 1,200 employees transitioned into a consumer-driven health plan from the Preferred Provider Organization plan. It has been clear for many years that consumerism and member engagement are key factors in successfully managing healthcare costs. As such, the County has addressed both factors, with 100 percent enrollment in a consumer-driven health plan. The County has emphasized educating members on the tools available to assist in keeping medical and pharmacy costs to a minimum. Continuation of the Healthy Lifestyle Premium Discount (HLPD) program has also encouraged healthy lifestyle behaviors, which helps minimize costs to both to the employee and the County.

Human Resources will continue the education campaign of the best ways to manage individual and family healthcare needs. This approach includes encouraging employees to establish a relationship with a family doctor, register with Teladoc and become familiar with the locations, telephone numbers and websites of convenience clinics and urgent care facilities in the vicinity. Education also includes explaining the real cost savings behind depositing pre-tax dollars into individual HSAs. Approximately 80 percent of County employees are making some contribution of their own. More education is needed so employees fully understand the short-and-long term advantages to contributing to this account. Another area of education is detailing the tools available to members to compare costs and facilities to obtain the best possible outcome when services are needed, both preventive and diagnostic.

Self-Insurance Trust Fund Reserves

As anticipated, the medical plan is operating very effectively, with claims costs lower than expected. As a result, the current Trust Fund balance is \$21 million after the second of three loan payments of \$3.3 million has been paid. Also as a result of lower than expected claims, the deductibles in the Stop Loss policy have been increased, which reduced the premium cost for that policy. Rates are sufficient to continue the desired growth to the balance reserves in the Trust Fund.

Healthy Lifestyle Premium Discounts

Employee Wellness programs and Healthy Lifestyle Premium Discounts (HLPDs) continue to be well received. Table 1 below shows the statistics for the current year, as well as the progress being tracked for FY 2017/18. Along with the education provided by Human Resources, there are specific programs in place to educate employees and encourage healthy lifestyle behaviors. Employees are advised to review their records through ADP's Employee Self Service portal, and those that have not yet met the eligibility requirements receive email reminders.

Table 1: Employees Currently Receiving HLPDs, FY 2016/17.

Discount Type	Eligible Employees
Health Assessment	2,380
Preventative Exam or Screening	3,090
100 + Healthy Lifestyle Active Points (Exercise tracking or other Wellness programs)	1,482

Health Savings Accounts

As discussed above, most employees are depositing their own funds into their HSAs, and the aggregate HSA balance now exceeds \$17 million. Education is being conducted to help increase these deposits so employees can save pre-tax money now, as well as prepare for long-term financial healthcare stability.

Table 2: HSA Account Balances.

Account Balance Range	Number of Employees
\$500 or less	65
\$500.01 - \$1,000	781
\$1,000.01 - \$1,500	1,293
\$1,500.01 - \$2,000	552
\$2,000.01 - \$2,500	364
\$2,500.01 - \$3,000	293
\$3,000.01 - \$5,000	551
\$5,000.01 - \$10,000	498
\$10,000.01 - \$15,000	188
\$15,000.01 - \$20,000	106
Over \$20,000	101
Grand Total	4,792

Current and Proposed FY 2017/18 Rates

As indicated above, based on the performance of the Health Benefit Insurance Trust over the past year, I am recommending no rate increase. The insurance rates for FY 2017/18 shown in Table 3 below are the same rates for employees as the current fiscal year.

**Table 3: High Deductible Health Plan
 Administered by Aetna.**

Level of Coverage	Biweekly Employee	Biweekly County
Employee Only	\$35.00	\$141.62
Employee + Spouse	\$48.92	\$355.22
Employee + Child(ren)	\$47.86	\$345.09
Employee + Family	\$66.03	\$509.18

Table 4: Pima County Self-insured Dental Plan Administered by Ameritas.

Level of Coverage	Biweekly Employee	Biweekly County
Employee Only	\$10.23	\$10.23
Employee + Spouse	\$25.20	\$10.23
Employee + Child(ren)	\$23.11	\$10.23
Employee + Family	\$38.01	\$10.23

Table 5: Employers Dental Service Dental Plan.

Level of Coverage	Biweekly Employee	Biweekly County
Employee Only	\$1.88	\$1.89
Employee + Spouse	\$6.10	\$1.89
Employee + Child(ren)	\$9.20	\$1.89
Employee + Family	\$10.10	\$1.89

Recommendation

As a result of plan performance and the Trust Fund balance, as well as the unanimous recommendation from the Health Insurance Benefits Wellness Advisory Committee, I recommend all employee benefit plans, rates, County Health Savings Account funding and premium discounts remain the same for Fiscal Year 2017/18.

Respectfully submitted,



C.H. Huckelberry
 County Administrator

CHH/anc – January 25, 2017

- c: Tom Burke, Deputy County Administrator for Administration
- John Voorhees, Assistant County Administrator for Administration
- Allyn Bulzomi, Director, Human Resources
- Keith Dommer, Director, Finance and Risk Management
- Robert Johnson, Budget Manager, Finance and Risk Management
- Wendy Petersen, Deputy Director, Human Resources
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- Health Insurance Benefit and Wellness Committee Members