



# Board of Supervisors Memorandum

January 7, 2025

## Medical Insurance for County Employees - Fiscal Year 2025/26

### Background

Pima County is preparing for next year's benefits plan and as part of that process, claims 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 2025/26, the projected total medical and pharmaceutical claims cost is \$77.1 million of which 87 percent is funded by Pima County (Employer) and 13 percent is funded by the employee members. As detailed in Table 1, Pima County employees have experienced regular annual increases since 2020/21.

**Table 1: Five Year History of Medical Rates (per pay period)**

HDHP	2020/21	2021/22	2022/23	2023/24	2024/25
Employee Only	\$38.01	\$42.38	\$47.25	\$51.72	\$57.41
Employee + Spouse	50.10	55.86	62.27	68.15	75.65
Employee + Child(ren)	49.02	54.65	60.92	66.68	74.01
Employee + Family	67.63	75.40	84.06	92.00	102.12

### Pima County Health Care Benefits Trust

The Pima County Health Care Benefits Trust (Trust) currently has a balance of \$29.0 million, per the audited financial statements for June 30, 2024, with a projected net position of \$30.7 million by June 30, 2025. In order to ensure that we sustain a healthy balance going forward, the Health Care Benefits Trust Board (HBT) recommends the Trust maintain a minimum of four (4) and a maximum of six (6) months projected claims and expenses on hand as a reserve, which currently equates to a range of \$22.8 to \$34.2 million. The projected balance of \$30.7 million at June 30, 2025, falls within this recommended reserve range.

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

As approved by the Board of Supervisors on December 5, 2023, beginning July 1, 2025 (Wellness reporting year March 1, 2024 to February 28, 2025), employees have the opportunity to earn up to \$50.00 per pay period (\$1,300 annually) off of their medical premiums. This is an increase from the current \$35 per pay period. This enhanced savings has encouraged more employees to participate in Pima County's Employee Wellness Program.

**Table 2: Healthy Lifestyle Premium Discounts (HLPDs) for 2025/26  
 as compared to the current fiscal year**

		<b>Discounts</b>	
		2024/25	2025/26
Discount #1	Be Tobacco-Free	\$20.00	\$20.00
Discount #2	Healthy Lifestyle Activity Points		
	Level 1: 15,000 – 29,999 Activity	5.00	10.00
	Level 2: 30,000 – 44,999 Activity	10.00	20.00
	Level 3: 45,000 or more Activity	15.00	30.00
	Maximum Discount	35.00	50.00

Medical Costs

This year, as well as the end of the prior fiscal year, the County has experienced lower medical and pharmaceutical claims than we have in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 8.5 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 examine national trends. Based upon their analysis of the most recent 36 months of Pima County claims activity, Pima County’s FY 2025/26 Health Plan Funding Projection is calling for a 4.39 percent increase (\$3.2 million) to cover the anticipated claims at the current rate.

Recommended Premium Increase

Given the anticipated increased claims (\$3.2 million or 4.39 percent increase) for the Pima County Plan, a 4.39 percent increase is recommended.

Table 3 below provides the medical rates proposed for FY 2025/26, to include the 4.39 percent along with the impact of the enhanced employee wellness incentive, which results in an overall decrease to the employee paid portion of the premium.

**Table 3: Proposed Rates FY 2025/26**

		Current Rates FY 2024/25		Proposed Rates FY 2025/26			
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee Portion w/\$50 HLPD	Employee Change

The Honorable Chair and Members, Pima County Board of Supervisors  
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Employee Only	2,572	\$57.41	\$242.84	\$59.93	\$253.50	\$9.93	- (\$12.48)
Employee + Spouse	811	75.65	611.39	78.97	638.21	28.97	-(11.68)
Employee + Child(ren)	652	74.01	594.01	77.26	620.07	27.26	-(11.75)
Employee + Family	1,081	102.12	875.74	106.60	914.17	56.60	-(10.52)

Health Savings Accounts (HSA)

For active employees enrolled in the High Deductible Health Plan (HDHP) with an HSA, Pima County makes annualized HSA contributions to the individual accounts in the amount of \$1,000 for those employees enrolled in Employee only coverage and \$2,000 for those employees that also cover one or more dependents. These deposits are distributed equally amongst each pay period. These contributions equate to 50 percent of the plan year deductible. Collectively, active employees have saved approximately \$20 million, with the average balance exceeding \$4,000 (which is the family level deductible). 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.

Recommendation

I recommend that the Board of Supervisors approve this employee benefits package as described above by approving:

1. Medical premium equivalents increased as detailed above in Table 3.
2. Continue County HSA contributions as detailed above.

Sincerely,



Jan Lesher  
 County Administrator

JKL/dym

- c: Carmine DeBonis, Jr., Deputy County Administrator  
 Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer  
 Steve Holmes, Deputy County Administrator  
 Cathy Bohland, Director, Human Resources  
 Ellen Moulton, Director, Finance and Risk Management