



February 11, 2016

SEIU Arizona Proposal for Medical Insurance Rates for Fiscal Year 2016/17

Introduction

Over the years, SEIU Arizona and our members have sought to be strong partners in assuring employees receive quality health insurance at affordable rates. In the past we partnered with the County to educate employees about High Deductible Health Plans. This resulted in tremendous enrollment and savings at the time the County eliminated the HMO plan option and retiree health coverage. In an effort to control health care costs for both the County and Pima County employees, our members also supported the transition to a self-insured model.

Neither of these transitions were simple, but we worked under the expectation that these changes would lead to controlled healthcare costs and the future benefit of Pima County employees. When in fact, the County is seeing great benefit from these past decisions, but employees are yet to equally share in the benefit. The latest proposal of health plans and premium rates by Mr. Huckelberry – unfortunately – continues this trend. Employees, who have seen premiums rise every year, are left feeling as though the promises of the self-insured and high deductible plan model were only intended to benefit Pima County, not the workers.

In a good faith effort of compromise, SEIU Arizona submits the following proposal which will both accomplish the County's long term strategy and more fairly distribute the realized savings. It is important to note that **this proposal does not require additional dollars from the County**. It simply more fairly distributes the savings that will be realized by eliminating the PPO, reducing premium costs of the HDHP2 plan, increasing the tobacco-free incentive, and funding HSA contributions consistently across all plans.

SEIU Arizona's Proposal

	Level of Coverage	Employee Premium	County Premium	Employee Premium %	County Premium %
SEIU HDHP1 Proposed Rates	Ee	\$35.00	\$141.61	20%	80%
	Ee + Spouse	\$48.92	\$355.21	12%	88%
	Ee + Kids	\$47.86	\$345.68	12%	88%
	Ee + Family	\$66.03	\$509.18	11%	89%

With the proposed changes, SEIU Arizona supports increasing the tobacco free discount from \$5 to \$20 per pay period. SEIU Arizona also recommends providing employees enrolled in the HDHP2 plan the same HSA contribution as HDHP1 members receive (\$1,000/\$2,000), **NOT increasing the contribution to HDHP2 members to (\$1,250/\$2,500).**

Premium Costs

Last year, SEIU Arizona worked with Pima County management to bring employee/County premiums in line with a consistent funding split for the HDHP1 Plan: Employees would pay 10% and Pima County would pay 90% of the premium (for an individual it is 15%/85%). The cost of premiums increased this year. Our proposal – like Mr. Huckelberry's – shares the increase according to this split. Where our proposals differ, however, is where Mr. Huckelberry is recommending increasing employee premiums an **additional \$15 dollars per pay period** and reducing the County's contribution \$15 dollars per pay period (presumably to achieve the goal of charging tobacco users more for their health insurance), SEIU's proposal increases employee premiums and subsequently reduces Pima County's premiums by \$8.51 per pay period. This amount still allows the County to realize a savings from distributing a larger share of premium costs to tobacco users, while not so drastically impacting the premium costs of all employees. While employee contributions towards premiums will still rise significantly, SEIU Arizona's proposed premium rates will allow **employees who have participated in all four Healthy Lifestyle discounts a slight decrease in premium cost from last year** - truly incentivizing the wellness programs and creating a win-win for the County and employees.

Table I. below indicates current premium rates for the HDHP1 plan. Table II. indicates the actual rise in health care costs for the next fiscal year. Table III. is Mr. Huckelberry's proposal for rate increases on the HDHP1 plan for FY 16/17. As you can see, his proposal increases employee contributions well beyond the necessary increase in premium rates while reducing the county's contribution rate.

I.	Level of Coverage	Employee Premium	County Premium	Employee Premium %	County Premium %
HDHP1 - CURRENT FY 15/16 Rates	EE	\$23.67	\$134.19	15%	85%
	EE + Spouse	\$36.11	\$325.11	10%	90%
	EE + Kids	\$35.18	\$316.59	10%	90%
	EE + Family	\$51.41	\$462.72	10%	90%

II.	Level of Coverage	Employee Contribution Increase at 15% / 10%	County Contribution Increase at 85% / 90%	Total FY 16/17 Premium Increase
Actual Premium Increase for FY 16/17	EE	\$2.82	\$15.93	\$18.75
	EE + Spouse	\$4.30	\$38.61	\$42.91
	EE + Kids	\$4.17	\$37.60	\$41.77
	EE + Family	\$6.11	\$54.97	\$61.08

III.	Level of Coverage	Employee Premium	County Premium	Employee Premium	County Premium
HDHP1 - Mr. Huckelberry's Proposed Rates	EE	\$41.49	\$135.12	23%	77%
	EE + Spouse	\$55.41	\$348.72	14%	86%
	EE + Kids	\$54.35	\$339.19	14%	86%
	EE + Family	\$72.52	\$502.69	13%	87%

Increasing the Tobacco-Free Incentive

While we can support greater incentive for employees to quit tobacco use, the truth of Mr. Huckelberry's proposal is the additional fifteen-dollar incentive comes directly from increasing employee contributions by \$15 per pay period, \$390 dollars a year. Under Mr. Huckelberry's proposal, only the County would benefit from

collecting higher premiums from tobacco users, non-tobacco users will simply be earning back the \$390 dollars the County charged them in higher premium rates. In a year the County will be realizing the cost benefits from eliminating the PPO as an option, such a drastic increase is unnecessary. SEIU Arizona's proposal calls for increasing employee premiums \$8.51 beyond the increases necessary to cover the actual raise in premium costs.

High Deductible Health Plan 2 and Increased HSA Contribution Level

Mr. Huckelberry has proposed creating a second High Deductible Health Plan (HDHP2) with lower premium costs, a much higher deductible, and an increased County HSA contribution. In his Memorandum dated February 16, 2016, Mr. Huckelberry indicated this plan would benefit the select few employees who have "sufficiently high enough HSA balances to cover a few years of unexpected catastrophic illnesses." According to Mr. Huckelberry's Memorandum dated February 4, 2016, though, only 326 employees currently have HSA accounts with more than \$10,000 dollars, with over 3,000 employees having less than \$5,000 dollars in their HSA. While this plan may work for a select few, it appears to be a dangerous option for a vast majority of County employees. With approximately 1,300 employees currently enrolled in the PPO set to transition this year to a HDHP plan, we are concerned that introducing such a drastic high deductible plan this year could spell disaster for many unknowing former PPO enrollees, enticed by the low premium rates and higher county HSA contribution.

Additionally, with only a few hundred employees set to benefit from the new HDHP2 option, and those employees already having "sufficiently high enough HSA balances," SEIU Arizona recommends rather than the County contributing the additional \$250/\$500 to their HSA accounts, we suggest the money could be of better use helping reduce overall premium costs for the vast majority of County employees.

SEIU Arizona's proposal does not address the premium rates of the HDHP2 plan. Our focus is to make the HDHP1 plan as affordable and as easy of a transition for the PPO enrollees as possible. In this regard, if SEIU's proposal for the HDHP1 plan is adopted, we recommend the County adjust the premium rates of the HDHP2 plan accordingly.

Fairly Distribute Realized Savings

SEIU's proposal asks the County to share an additional \$6.49 in premium cost per pay period, amounting to an annual cost of around \$850,000 beyond than what Mr. Huckelberry had proposed. As you will see, this will be more than covered by savings resulting from the modified changes proposed in this plan and those included in Mr. Huckelberry's recommendation.

PPO Elimination - There are approximately 1,300 of employees enrolled in Pima County's PPO option. Making the broad assumption all continue coverage with the County, the County is set to save at least 1.5 million dollars in premium contributions when these employees switch to a High Deductible Health Plan in FY16/17. According to Mr. Huckelberry's February 16th Memo, these 1,300 PPO enrollees account for roughly 42% of all claims. It would follow then, that the County would also stand to save significant amounts of money in actual claims paid, as this was among the justifications used to eliminate the PPO. Additionally, because not all of these employees will qualify for HSA accounts, the County will also be saving money in not having to contribute to their HSAs.

Tobacco-Free Incentive - There are roughly 5,100 employees enrolled in County Health Insurance. Mr. Huckelberry estimated that 3,300 would claim the tobacco-free discounts, leaving 1,800 whom the County

would not be paying the additional \$15 dollar per pay period incentive. This will amount to \$702,000 dollars in reduced premium costs for the County.

HDHP2 - Introducing the HDHP2 plan has the potential to save the county significant dollars in reduced premium rates. If only 400 employees enroll in the HDHP2 plan, the County would save a rough estimate of \$70 dollars per pay period in premiums for these employees, totaling \$500,000 savings over the year. Actual enrollment could be higher which would increase the savings.

HSA Contribution at \$1,000/\$2,000 - We also propose funding HSA accounts at \$1000/\$2000, regardless of plan. Mr. Huckelberry had proposed HDHP2 enrollees receive an additional \$250/\$500 contribution from the county. Under SEIU Arizona's proposal, if 400 employees enroll in the HDHP2 plan, this would amount to a savings of 100,000-\$200,000 dollars.

	Estimated FY 16/17 Savings
	\$1,500,000
Elimination of PPO	Millions in long term claims savings
New Tobacco Incentive	\$702,000
1,000/ 2,000 HSA contribution	\$150,000
HDHP2 (estimating 400 employees enroll)	\$500,000
Total	\$2,852,000

Conclusion

While we disagreed with the County's decision to eliminate a traditional PPO/HMO option and remain skeptical of the long term consequences High Deductible Health Plans will have on health outcomes, this proposal works within the priorities, strategy and direction this administration has taken. Based on the experience of the last few years, employees remain skeptical of how long the Healthy Lifestyle discounts and HSA contributions will continue, at which point employees will be left with significantly higher healthcare costs. While rates increased slightly this year, overall our self-insured health care system is in great shape. There is no crisis that warrants such large premium hikes on employees. Our modest proposal for FY 16/17 will go a long way in mitigating raising costs on employees and recognize employee's contributions in making Pima County's healthcare pool the envy of any municipality in the state – all while still allowing the County to reap the projected long term savings as a result of self-insurance, high deductible plan design, and tobacco surcharges.

Under Mr. Huckelberry's proposal, the County is set to save around \$3 million this year, and even more millions of dollars in actual claims. Employees – on the other hand – are set to see their premiums increase and their paychecks shrink. This is not a situation where we have to "take from Peter to pay Paul"; everyone can come out ahead. We believe SEIU Arizona's proposal is fair, still benefits the County, is paid for, and will positively impact the livelihoods of Pima County employees.

In Unity,

SEIU Arizona Meet and Confer Team

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