



Board of Supervisors Memorandum

January 14, 2020

Medical Insurance for County Employees - Fiscal Year 2020/21

Background

Pima County is now preparing for its seventh year with a self-insured medical model. As you are aware, after years of preparation the County made the strategic decision to transition to self-insurance for medical coverage in July of 2013. For FY 2020/21 the projected total health plan cost is \$46.5 million of which 86 percent is funded by Pima County (Tax Payer) and 14 percent is funded by the employees. This plan, in addition to only offering consumer driven health plans, has proven to be a prudent decision. As detailed in Table 1, Pima County employees have experienced only nominal increases over time.

Table 1: History of Medical Rates

HDHP	11/12	12/13	13/14	14/15	15/16	16/17*	17/18	18/19	19/20
Employee	\$17.00	\$20.00	\$20.00	\$21.00	\$23.67	\$35.00	\$35.00	\$35.00	\$35.00
Employee + Spouse	25.00	29.50	29.50	30.97	36.11	48.92	48.92	46.13	46.13
Employee + Child(ren)	25.00	29.50	29.50	30.97	35.18	47.86	47.86	45.13	45.13
Employee + Family	40.00	47.20	47.20	49.56	51.41	66.03	66.03	62.27	62.27

*Healthy Lifestyle Premium Discounts increased in 2016/17 from \$20.00 to \$35.00 per pay period, thereby offsetting any increases.

Technically the County has not had an increase in rates since FY 2015/16, which ranged from \$1.87 to \$5.14 per pay period. Furthermore, in FY 2018/19 the County experienced a rate decrease ranging from \$2.73 to \$3.76 for dependent tiers, with no change in the employee-only coverage. For FY 2019/20 there was no rate increase to employees or dependents.

Health Care Benefits Trust

Currently, the Health Care Benefits Trust (HCBT) has a healthy balance. Pima County, along with our Health Insurance Trust Board (HITB) and Human Resources want to ensure that we sustain a healthy balance going forward. While previously we strove to maintain a six month worth of claims funding in the Trust balance, which equated to approximately \$23.2 million, the HBIT and Human Resources are seeing the need to increase the Trust balance to account for an increase in high cost claims, as well as an increase in trending medical care costs (see below). As a result, in order to preserve funds and maintain a sufficient and healthy fund balance, it is recommended that the Trust maintain six (6) month worth of claims and HSA funding or the equivalent of \$27 million. Our balance as of October 31, 2019 was \$29.4 million and the net position for June 30, 2020 is projected at \$22.4 million.

Improving Health through Healthy Lifestyle Premium Discounts (HLPDs)

In order to improve the health of our employees and encourage healthy lifestyle behaviors, we offer up to \$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

FY 2019/20 Discounts		Amount per Pay Period
HLPD #1	Being tobacco-free	\$20.00
HLPD #2	Healthy Lifestyle Activity Points	
	Level 1: 50-99 Activity Points	5.00
	Level 2: 100-149 Activity Points	5.00
	Level 3: 150 or more Activity Points	5.00
	Maximum Discount	\$35.00

Currently 90 percent of our employees are enjoying one or more of the available discounts and Employee Wellness continues to receive positive feedback from participants. Many have already completed all of the activities required in order to receive their discounts for July 1, 2020.

Medical Costs

This year, the County has experienced higher claims than we have in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 7.3 percent for Medical and 7.5 percent for Pharmacy. Additionally, the County's FY 2020/21 Health Plan Funding Projection is calling for an 8.61 percent increase. In order to maintain a sufficient and healthy balance in the trust fund, the County will need to increase rates to the employee and the County for the coming plan year ranging from \$3.01 to \$5.36 per pay period, dependent upon the coverage selected. Table 3 below provides the medical rates proposed for Fiscal Year 2020/21.

Table 3: Medical Rates

Current Rates FY 2019/20				Proposed Rates FY 2020/21			
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee portion with \$35 HLPD	Employee change
Employee only	2,228	\$35.00	\$131.59	\$38.01	\$142.92	\$3.01	\$3.01
Employee + Spouse	823	46.13	335.05	50.10	363.90	15.10	3.97
Employee + Child(ren)	727	45.13	325.49	49.02	353.52	14.02	3.89
Employee + Family	1,232	\$62.27	\$480.26	\$67.63	\$521.61	\$32.63	\$5.36

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Medical Insurance for County Employees - Fiscal Year 2020/21**
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Health Savings Accounts (HSA)

For active employees enrolled in the 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 contribution amounts equate to 50 percent of the plan year 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

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

1. Medical premium equivalents as detailed above.
2. Continue offering up to \$35 per pay period for participating in the HLPD program.
3. Continue County HSA contributions as detailed above.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/lab – December 26, 2019

c: Jan Leshar, Chief Deputy County Administrator
Cathy Bohland, Director, Human Resources