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# MEMORANDUM

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Date: December 10, 2014

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

Re: **Additional Information Regarding the Tobacco/Nicotine Free Healthy Workplace Initiative – Fiscal Issues**

Questions have arisen regarding the health or medical insurance cost paid by Pima County and its growth over a 10-year period. The table below provides the actual cost of providing the employer portion of our health and medical insurance 10 years ago in Fiscal Year (FY) 2004/05 and the amount budgeted for the current fiscal year.

Description	FY 2004/05 Actual	FY 2014/15 Budgeted	Increase
Health Insurance (Employer Portion)	\$25,057,043	\$50,011,142	\$24,954,099
Health Insurance Cost Per FTE*	\$3,111	\$6,893	\$3,782

\*Full-time Equivalent employee.

As you can see, the cost has nearly doubled. The cost per Full-time Equivalent employee per year has more than doubled from \$3,111 per employee to \$6,893 per employee. Embedded in this cost is the cost of providing pharmacy and medical claims for all County employees, including those who use nicotine or those who smoke tobacco.

Our current provider has provided national cost average increases for smokers of \$25 per member per month. That cost is spread out over the entire covered population, not just smokers. We have, in the last survey, determined approximately 32 percent of County employees are tobacco or nicotine users. In order to ensure nonsmokers or those who do not use tobacco or nicotine products, are not subsidizing these costs for those who do, the per member per month cost must be adjusted such that it is paid entirely by the smoker and/or tobacco user. The user cost per month would be nearly \$90.

In the proposal the Board of Supervisors will consider on December 16, 2014, there is discussion on surcharging tobacco users over a graduated amount. It must also be remembered that this surcharge is only applied to the employee's cost, which is

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significantly lower than the County's portion. Our staff report indicates the first year surcharge would \$6.30, which is substantially lower than the full cost of providing health and medical insurance to smokers and tobacco users, which is approximately \$95 per month.

If the Board were not to adopt the Nicotine/Tobacco Free Healthy Workforce Initiative, the amount that should then be surcharged to new employees who are smokers and users of tobacco and hired by the County would be \$90 per month. The new employee would pay this full cost and would not be subsidized by nonsmokers.

Taking into consideration our cost compared to the national average, our costs are greater, since we have 32 percent of employees who smoke or use tobacco, as compared to the national average of 21 percent. The cost to provide medical and pharmacy uses to smokers during FY 2015/16 is at least \$3.7 million and could be one third higher, or closer to \$5 million per year.

CHH/anc

c: Jan Leshar, Deputy County Administrator for Medical and Health Services  
Dr. Francisco Garcia, Director, Health Department  
Allyn Bulzomi, Director, Human Resources  
Tom Burke, Director, Finance and Risk Management  
Robert Johnson, Budget Manager, Finance and Risk Management