



Board of Supervisors Memorandum

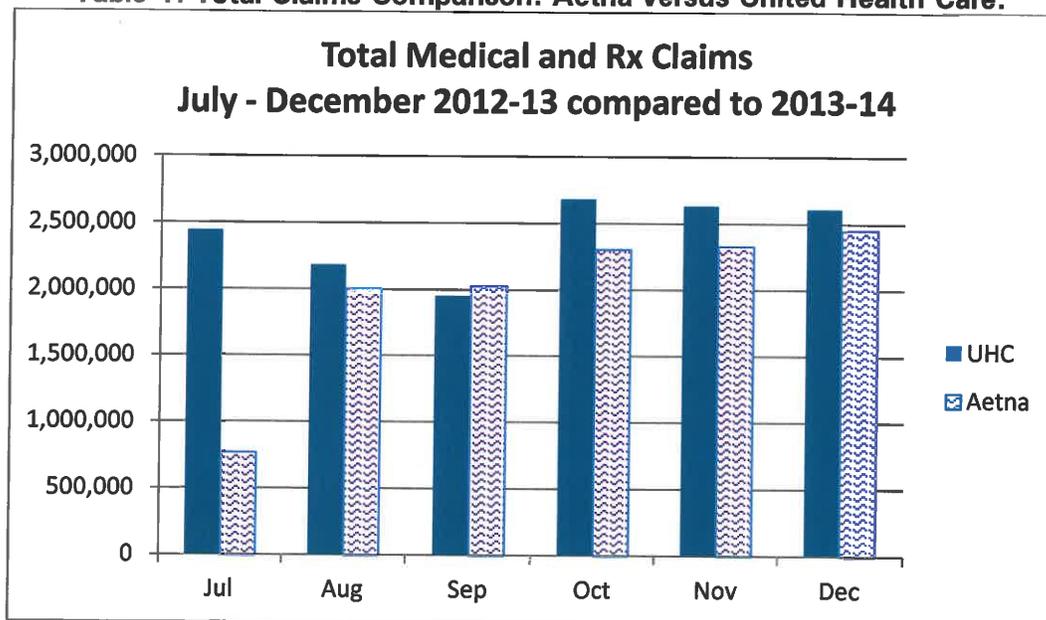
March 18, 2014

Medical Insurance for County Employees – Fiscal Year 2014/15

Introduction

Pima County is now in its eighth month of self-insurance. The implementation and transition went very well, with minimal disruption to our employees. Another positive note is that as anticipated, claims costs are currently below what they were month-by-month in Fiscal Year (FY) 2012/13 (see Table 1 below). The current plan year still has four months remaining, which are typically higher than earlier months in the plan year, but I am optimistic that at year end, we will still have reduced costs over prior years.

Table 1: Total Claims Comparison: Aetna versus United Health Care.



Now that the transition is behind us, it is time to map out a strategic plan to begin building a reserve balance that is sufficient to facilitate the repayment of the initial \$10 million loan and eliminate the need to purchase stop loss coverage. To accomplish this, we reviewed each plan's current premiums compared to utilization and factored in the current healthcare cost trends.

Based on current projections, a 0.36 percent increase in overall premiums is the minimum required to break even next fiscal year. It was recommended by the actuary to increase premiums by 5.36 percent in order to generate reserves. This recommendation was based

on two years of claims data. Since we are experiencing a decline in costs with the new plan, we expect costs to continue to be less than with the prior carrier; therefore, I am recommending an increase in overall premiums of only 5 percent. This increase is projected to generate a \$2 million reserve at the end of FY 2015/16.

The costs in the Preferred Provider Organization (PPO) are higher than the High Deductible Health Plan (HDHP) relative to enrollment. It has been and continues to be our goal to encourage employees to transition to the HDHP. Typically, the HDHP is more advantageous to both the employee and the County than the PPO. Therefore, Human Resources will be conducting two educational series for employees this spring. One will be geared toward current HDHP members with the focus of maximizing their healthcare dollars. The second session will explain the HDHP to current PPO members in an effort to transition more members to the HDHP.

Table 2 below contains the cost breakdown using the current funding and Healthy Lifestyle Premium Discount (HLPD) structure with the above mentioned premium changes.

Table 2: Direct Impact of the Increase in Medical Premiums with Current Structure.

			Current Rates FY 2013/14		Proposed Rates FY 2014/15			
Plan	Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee portion w/\$20 HLPD	Employee change
PPO	Ee Only	795	\$42.93	\$151.46	\$45.07	\$159.04	\$25.07	\$2.14
	Ee + Spouse	305	90.75	354.05	95.28	371.76	75.28	4.53
	Ee + Child(ren)	244	88.69	344.46	93.12	361.69	73.12	4.43
	Ee + Family	382	130.13	502.95	136.63	528.11	116.63	6.50
HDHP	Ee Only	1418	20.00	120.51	21.00	126.53	1.00	1.00
	Ee + Spouse	503	29.50	292.00	30.97	306.60	10.97	1.47
	Ee + Child(ren)	490	29.50	283.58	30.97	297.76	10.97	1.47
	Ee + Family	1005	47.20	410.39	49.56	430.91	29.56	2.36

Healthy Lifestyle Premium Discounts

As outlined during last year's Annual Open Enrollment, the reporting period for this year's Healthy Lifestyle Premium Discounts is March 01, 2013 through February 28, 2014. Accordingly, Employee Wellness has worked diligently with departments and individual employees to ensure that as many employees as possible are eligible to receive discounts on their medical insurance premiums for the upcoming plan year. Employees have access

to their recorded activities in ADP / HR Benefits Solution and have received numerous communications on the reporting period and deadline to complete activities. Employees will need to certify their eligibility online during Annual Open Enrollment, and their responses will be validated by Human Resources prior to July 01, 2014. Any activities completed after February 28, 2014 will be counted toward the FY 2015/16 Healthy Lifestyle Premium Discounts. This will help ensure compliance before discounts are awarded in the July, 2014 premiums.

Below is the number of employees eligible (as of January 31, 2014) to receive discounts in FY2014/15 based on the reporting period of March 01, 2013 – February 28, 2014.

- Discount #1 – Tobacco-free for the past six months (unknown – self-identified)
- Discount #2 – Take the online health assessment (3,612 eligible)
- Discount #3 – Complete a preventive exam or screening (3,375 eligible)
- Discount #4 – Earn at least 100 Healthy Lifestyle Activity Point - Exercise Logs or other Employee Wellness Activities (1,422 eligible)

Below is the number of employees receiving discounts in FY 2013/14.

- Discount #1 – (3,498)
- Discount #2 – (3,337)
- Discount #3 – (3,347)
- Discount #4 – (2,524)
- All four discounts (2,249)

Below is the number of employees (as of January 31, 2014) currently receiving discounts that are not eligible for FY 2014/15.

- Discount #1 – (unknown as this will be self-identified by the employee)
- Discount #2 – (367)
- Discount #3 – (696)
- Discount #4 – (1,254; 661 employees have zero points)
- All four discounts (139)

“Three Simple Steps to Wellness”

Last fall, Pima County participated in a very important campaign, “3 Simple Steps to Wellness.” The purpose of this campaign was to have at least 50 percent of our employees insured on the medical plans to complete a biometric screening, an online health assessment and an online wellness consultation. This was done in order to meet the requirements of the performance guarantees as outlined in Aetna’s Request for Proposals response. Approximately 1,800 employees (35 percent) completed all three steps of the program and received a \$50 gift card. Their participation also satisfied the requirements

for Healthy Lifestyle Premium Discounts 2 and 3. I am also recommending that an additional reward be given to those 1,800 employees that completed all three steps.

Originally, I intended to propose offering those 1,800 employees a fifth discount. After considering this further, I wanted to provide a nonmonetary incentive option for your consideration. Since these employees are already eligible for Discount 2 and Discount 3 as two of the three components of "3 Simple Steps to Wellness" required an online health assessment and a preventive screening; it seems an alternative reward might be beneficial.

I suggest the alternative reward for each of the 1,800 eligible employees be an electronic device from Spark People that measures activity (<http://www.sparkactivitytracker.com/>). This device syncs automatically with the individual's home computer and/or smart phone. Users may view their results and run reports. This will enable employees to more easily record their daily steps and physical activity minutes, which will support and promote Discount 4. The cost for this option is \$86,400 (\$48 x 1,800 eligible employees).

Health Savings Accounts (HSA)

For active employees enrolled in the HDHP with HSA, Pima County makes biweekly HSA contributions in the amount of \$38.46 for single coverage and \$76.92 for those insuring dependents. Annualized, \$1,000 for the employee only and \$2,000 for the employee plus dependent(s), equate to 50 percent of the plan year deductible.

As a result, our employees' HSA balances continue to grow each year. As of February 1, 2014, 65 percent of our insured employees (3,362) have an HSA; and the combined cash and investment balance in all accounts for our employees is approximately \$10.8 million. These individual accounts are to be used for out-of-pocket healthcare costs. The average HSA cash balance is \$3,200, which exceeds the annual deductible for single coverage. The HDHP with HSA continues to be a significant cost savings benefit for our employees with favorable feedback. I recommend maintaining the same funding level as the past several years.

Dental Plans

The County offers two dental plans:

1. Pima County Dental Self-insured Dental Plan. The current premiums are sufficient to cover the associated costs, so no rate change is necessary
2. Employers Dental Service (EDS) is a fully insured dental maintenance organization. EDS will experience a three-percent increase over current premiums (see Table 3 below).

Table 3 : Impact of EDS Three-percent Premium Increase.

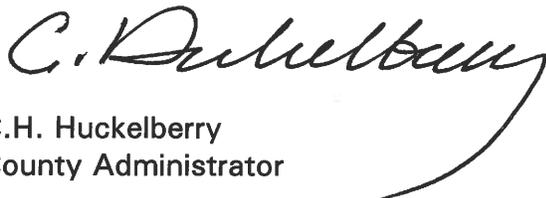
			Current Rates FY2013/14		Proposed Rates FY2014/15	
Plan	Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion
Employers Dental Service	Ee Only	1,259	1.94	1.94	1.99	1.99
	Ee + Spouse	503	6.29	1.94	6.49	1.99
	Ee + Child(ren)	383	9.48	1.94	9.77	1.99
	Ee + Family	761	10.41	1.94	10.73	1.99

Recommendation

I recommend the Board of Supervisors approve the following:

1. A medical premium increase of five percent.
2. A dental premium structure with a Pima County Dental increase of zero percent and an Employer's Dental Service increase of three percent).
3. Continuation of the current County Health Savings Account annual funding levels of \$1,000 for the employee only and \$2,000 for the employee plus dependent(s).
4. Continued Healthy Lifestyle Premium Discounts and the proposed reporting period and audit process.
5. Rewarding employees who completed "3 Simple Steps" by providing them with an electronic activity tracking device.

Respectfully submitted,



C.H. Huckelberry
 County Administrator

CHH/mjk – March 5, 2014

c: Allyn Bulzomi, Director, Human Resources