



MEMORANDUM

Date: October 6, 2017

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: ***Arizona Capitol Times* Yellow Sheet Report Regarding State Employee Medical Insurance**

Attached is an article from the *Arizona Capitol Times* regarding the significantly increasing cost of the provision of medical and health insurance to State employees.

The discussion highlights a pattern of fund diversion that is very similar to Highway User Revenue Fund (HURF) sweeps. The State began sweeping millions of dollars from the State's Health Insurance Trust Fund. These funding sweeps to balance the State's budget have left the State's Health Insurance Trust Fund with insufficient funding; hence, significant rate increases are being implemented and the costs are now being passed along to employees and retirees.

This picture stands in stark contrast to our own medical insurance trust fund, which is performing far better than anticipated. Since transitioning to a self-insurance medical model in July 2013, the trust fund balance has grown to \$31 million after the full repayment of the initial loans totaling \$13.5 million. A major factor in our success is the fact we now only offer a High Deductible Health Plan (HDHP), where consumerism is the premise with a heavy emphasis on healthy lifestyles and disease prevention. Because of that shift in paradigm and through employee education, we have seen changes in member behavior as well as increased individual engagement with healthcare management. We are now in the final stages of the Request for Proposal (RFP) process for medical and pharmacy administrative services for Fiscal Year 2018/19 and are quite pleased with the responses we have received. There are creative opportunities to implement new strategies and further reduce overall cost while continuing to improve the health of our insureds.

Based on these facts and if claims continue to remain consistent, it is very likely for the Fiscal Year 2018/19 plan, I will recommend a reduction of rates through premium holiday.

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Allyn Bulzomi, Director, Human Resources

YELLOW SHEET REPORT

THAT'S WHAT YEARS OF SWEEPS GETS YOU

© September 28, 2017 4:15 pm 0

Arizona state employees will pay higher premiums and copays for insurance beginning January 1, and some state lawmakers say that funding sweeps by the Legislature are to blame. State employees and retirees were notified on September 18 that insurance costs would rise for the first time since 2011, due to "skyrocketing healthcare costs," ADOA officials wrote in a memo. Coincidentally, 2011 was also the year the Legislature and then-Gov. Jan Brewer began sweeping tens of millions of dollars annually from the Health Insurance Trust Fund – the pool of money the state uses to self-insure its employees by paying out expenses for medical and dental claims. Those sweeps continued in the first two years of the Ducey administration, including 2016, when the governor signed a budget sweeping \$78.9 million from HITF to the general fund. From 2011 to 2016, lawmakers approved budgets that swept \$274.9 million from the trust fund, according to a JLBC analysis. That's led to some regret from state lawmakers like D. Farnsworth, who opposed the plan to raise insurance costs for state employees when ADOA officials presented its proposal to JLBC on September 6. According to Farnsworth, he and the committee's Democrats provided enough votes to give the proposal an "unfavorable review," which was a nonbinding vote. Still, Farnsworth decried the sweeps, which he said are now being felt by the state's 60,000 insured employees and retirees. "When the Legislature sweeps the fund over and over again, and then we come back and we have a crisis, we refund the fund on the backs of state employees," he told our reporter on Wednesday. "I don't think that's right." Cardenas, who first started questioning the stability of HITF during budget talks this past session, said state workers are now paying the price for Republican budget-balancing gimmicks. "The employee's health insurance fund has been the legislature's personal piggy bank for the last eight years," he said. "Every time they give a tax break to their donors and to their friends, when they realize we can't pay our bills, instead of going back to them and saying hey, we can't keep your tax break going, we take it from places that we shouldn't. And now we're just seeing the consequences of shoddy accounting and terrible financial planning." According to ADOA memos, the average increase in premiums on employee's paychecks is \$5.82, a cost of \$151.32 a year. The adjustment for current employees ranges from a low of \$48.10 annually to \$301.08, though that doesn't include hikes in copays, which now cost \$20 per office visit and \$40 per visits to a specialists. Chiropractic care, as well as other therapies, are now categorized as specialist care, meaning office visits that once cost \$15 now cost \$40. That particular change was a sore spot for Farnsworth. "When I go to my chiropractor, who is my primary care physician, that's just the way I see life," he told our reporter. Yet since joining the Legislature in 2013, Farnsworth has voted for some of the funding sweeps that he now decries.



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