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# Board of Supervisors Memorandum

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January 8, 2019

## Medical Insurance for County Employees - Fiscal Year 2019/20

### Background

Pima County has strategically made benefit changes to help minimize the rising cost of health care. In 2013, The County transitioned from a fully-insured to a self-insured model for medical coverage. In addition, all of our insured employees are now enrolled in a High Deductible Health Plan (HDHP), most with a Health Savings Account (HSA). This prudent decision has been validated and confirmed each year through lowered health care costs for both Pima County and our employees. Of particular importance is that even with the rising costs of healthcare throughout the nation, Pima County employees have not had a medical rate increase since July 1, 2016. In fact, we actually experienced a rate decrease July 1, 2018. Hence, there has been no increase in rates for 3 years. Since the change to consumer driven healthcare, there has been a shift in how our employees view medical and pharmaceutical items, in that they have become smarter healthcare consumers who plan and use cost comparison tools whenever possible.

### Health Care Benefits Trust

The County has successfully managed the Health Care Benefits Trust which now has a sizable fund balance. Our goal is to maintain six months' worth of claims funding in the Trust balance, which equates to approximately \$20 million. At the end of June 2018, the Trust balance was \$35 million. Human Resources budgeted approximately \$7 million of these funds to pay the County portion of HSAs funding for FY2018/19. Human Resources is currently working with the Finance Department, Aetna and the Health Care Benefits Trust Board to review preventive coverages, as well as plan exclusions, to determine plan coverage enhancements that may be beneficial for plan participants, without affecting employee and department premium costs. Human Resources is also reviewing options for offering employer paid Short Term Disability to be paid out of the Trust Fund. Any new coverage(s) or changes to these items should have no impact on employee premiums and the Trust balance is expected to remain on target.

### 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 1 shows the discounts available for next fiscal year.

Table 1 Healthy Lifestyle Premium Discounts FY 2019/20

<b>FY2019/20 Discounts</b>		
Discount	Being tobacco-free	\$20.00
Discount	Completing an online Health Assessment	5.00
Discount	Completing a preventive health exam/ screening	5.00
Discount	Earning a minimum of 100 Healthy Lifestyle Activity Points	5.00
	Maximum Discount	\$35.00

Currently 91 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, 2019.

Individual Costs

Table 2 below provides the medical rates proposed for Fiscal Year 2019/20 which will remain consistent with current year rates. I am recommending no rate increases for next fiscal year.

Table 2 Medical Rates

<b>FY2018/19 and Proposed FY2019/20</b>				
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee portion w/\$35 HLPD
Employee Only	2,240	\$35.00	\$131.59	\$0.00
Employee + Spouse	843	46.13	335.05	11.13
Employee + Child(ren)	750	45.13	325.49	10.13
Employee + Family	1,229	62.27	480.26	27.27

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 the same as it is currently.

Dental Plans

The County offers two dental plans, a self-funded Pima County Dental plan administered by Ameritas, and a fully-insured Employers Dental Service (EDS) plan. More than 5,000 employees participate in these plans. There is a slight increase in EDS premiums for next year as detailed in Table 3. Pima County Dental premiums will remain the same.

			Current Rates FY2018/19		Proposed Rates FY2019/20	
Plan	Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion
Pima County Dental	Employee Only	1,094	\$10.23	\$10.23	\$10.23	\$10.23
	Employee + Spouse	487	25.20	10.23	25.20	10.23
	Employee + Child(ren)	368	23.11	10.23	23.11	10.23
	Employee + Family	684	38.01	10.23	38.01	10.23
Employers Dental Service	Employee Only	1,117	1.95	1.95	2.02	2.02
	Employee + Spouse	424	6.33	1.95	6.55	2.02
	Employee + Child(ren)	300	9.53	1.95	9.86	2.02
	Employee + Family	541	10.46	1.95	10.83	2.02

Recommendation

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

1. Health insurance premiums at the same rate as the current fiscal year.
2. Dental rates at the same rate for Pima County Dental and at the increased rates for EDS.
3. Continue offering up to \$35 per pay period for participating in the HLPD program.

Sincerely,

  
 C.H. Huckelberry  
 County Administrator

CHH/mp- January 3, 2019

c: Tom Burke, Deputy County Administrator for Administration  
 Cathy Bohland, Director, Human Resources