MEMORANDUM

Date: March 1, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Health Insurance Benefits and Wellness Advisory Committee Recommendation regarding the CAT Bank and Short Term Disability**

Eight of the nine members of the Health Insurance Benefits and Wellness Advisory Committee (HIBWAC) met on February 26, 2019. I am attaching a summary memorandum from Human Resources Director of the recommendations of the HIBWAC regarding both the CAT Bank and Short Term Disability. Membership of the HIBWAC is contained in a footnote to the February 27, 2019 memorandum. Please note that the Committee recommendations were unanimous and are outlined in the attached memorandum.

CHH/lab

Attachments

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

PIMA COUNTY
HUMAN RESOURCES

MEMORANDUM

Date: February 27, 2019

To: C.H. Huckelberry
County Administrator

From: Cathy Bohland, Director
Human Resources

American Federation of State, County
and Municipal Employees ("AFSCME")
Meet and Confer Committee Members

Via: Tom Burke
Deputy County Administrator

Re: **Response to Mr. Huckelberry's February 20, 2019 Memorandum Requesting CAT Bank Recommendations**

The Health Insurance Benefits and Wellness Advisory Committee ("HIBWAC") met on February 26, 2019, to discuss both the CAT Bank and Short Term Disability Benefit, per Mr. Huckelberry's request. On that date, eight[1] of the nine members were present, constituting a quorum.

Below are the Committee member's *unanimous* recommendations.

A. Member Maintenance Contributions

In regards to member maintenance contributions, the HIBWAC members recommended discontinuation of the CAT Bank Program.

B. Adjustment of the Level of CAT Bank Hours Available for Disbursement

In regards to whether to adjust the level of CAT Bank hours available for disbursement, the HIBWAC members recommended discontinuation of the CAT Bank Program.

C. Short Term Disability Benefit

In regards to the Short Term Disability Benefit, the HIBWAC members recommended the following.

1. The County implement the Short Term Disability Benefit as outlined in Mr. Huckelberry's February 19, 2019 Board of Supervisors Memorandum. (Attached)

2. CAT Bank members utilizing CAT Bank hours at the time of the Short Term Disability Benefit implementation, be permitted to continue use of CAT Bank hours, subject to availability of hours.

[1] The eight members present at the HIBWAC meeting included two American Federation of State, County and Municipal Employee members, one Pima County Deputy Sheriff's Association member, one Pima County Sheriff's Department Fraternal Order of Police member, one Pima County Corrections Association member, and three unaffiliated County employee representatives.

3. Restoration of contributed CAT Bank hours to current County CAT Bank members who did not receive distributions from the CAT Bank, as outlined in Mr. Huckelberry's February 19, 2019 Board of Supervisor Memorandum.

4. If restoration of CAT Bank hours takes place after March 12, 2019, restoration in the form of payment of contributed hours to laid off Department of Transportation employees who did not receive distributions from the CAT Bank.

5. Human Resources research caregiving alternatives and intermittent leave alternatives to present to the Board of Supervisor, within 120 days of approval of the Short Term Disability Benefit, should it be approved.

6. If the American Federation of State, County and Municipal Employees ("AFSCME") Meet and Confer Committee fails to establish a quorum on its March meeting date(s), that the Short Term Disability Benefit be placed on the April 2, 2019, Board of Supervisor meeting agenda for approval.

7. Report to the AFSCME Meet and Confer Committee that HIBWAC is not in favor of a donated leave program and to advise AFSCME of the tax consequences involved in administering such a program.

8. Discontinue processing the outstanding 39 enrollments (624 hours) of CAT Bank member hours pending their 90-day waiting period and notify these members of the projected unsustainability of the CAT Bank Program.

Please advise if you need anything further.

c. Carmen Thomas, Division Manager, Human Resources
Gayl Zambo, Division Manager, Human Resources

MEMORANDUM

Date: February 20, 2019

To: Cathy Bohland, Director
Human Resources Department

From: C.H. Huckelberry
County Administrator

Re: **CAT Bank Recommendations**

As you are aware from yesterday's Board of Supervisors ("BOS") meeting, the Short Term Disability benefit was tabled until staff engage in the Meet and Confer process with AFSCME concerning the CAT Bank Program. I understand the first meeting will be on March 4, 2019.

As a result, I am requesting you do the following:

1. Notify the current 2,759 CAT Bank members that the CAT Bank hours are depleting so they can plan appropriately for their future medical needs. My understanding is that there is currently 1,540 CAT Bank hours remaining or roughly enough for three more pay periods.

2. Postpone restoring CAT Bank hours to CAT Bank members who have not received distributions from CAT Bank, as outlined in my February 19, 2019 memo.

3. Convene the Health Insurance Benefit and Wellness Advisory Committee ("HIBWAC") and have them provide their recommendation to the Meet and Confer Committee and myself concerning:

    a. Member maintenance contributions;

    b. Whether to adjust the level of CAT Bank Hours available for disbursement; and,

    c. The Short Term Disability benefit plan.

4. Replace Department of Transportation, Public Works Division Manager Seth Chalmers, on the Meet and Confer Committee due to his pending departure from County employment, with Deputy Director of Natural Resources, Parks and Recreation, Robert Padilla.

c: The Honorable Chairman and Members, Pima County Board of Supervisors

Board of Supervisors Memorandum

February 19, 2019

Short Term Disability Benefit

Background

As indicated in the attached information, Human Resources is proposing that the County's Health Benefit Trust Fund provide the additional benefit of a Short Term Disability policy for all eligible employees. Currently, employees who wish to have a short term disability insurance policy may purchase one from a County vendor through a payroll deduction but must pay for the entire cost of the premiums. The proposed program would provide the almost 6,100 benefits eligible employees with the insurance at no cost. Attachment 1 is my January 14, 2019 memorandum to the Board of Supervisors providing background information about the planned move to a Short Term Disability program.

In 2013, the County established the Catastrophic Leave Bank Program (CAT Bank) to provide additional sick leave hours to the roughly 2,700 participating members. Employees who joined the CAT Bank contribute a certain number of their accrued sick leave hours, up to 32 hours to date, though more contributions will be needed to sustain the bank. The employees are then able to apply for up to 240 hours of sick leave to help cover catastrophic situations. Although originally only for the employee's own catastrophic events, the program was later expanded to include recurring intermittent leaves of short durations as well as caregiving of others. To be granted any CAT Bank leave, employees must first exhaust all their available leave banks, including annual leave, sick leave and compensatory time. Only then would additional hours be provided. Unfortunately, the CAT Bank is not currently sustainable without additional recurring contributions from participating employees and without significant new restrictions to the conditions eligible to be covered.

As discussed in Human Resources' Director Cathy Bohland's December 5, 2018 memorandum, Attachment 2, the Health Insurance Benefits & Wellness Advisory Committee (HIBWAC) has been trying to address how to change the CAT Bank to make it a sustainable program. Actions needed would be to significantly reduce the benefits offered and to begin to require annual contributions of sick leave by employees. What is being proposed will impact a handful of employees who use the CAT Bank for ongoing, intermittent leave, as well as caregiving of others, but will provide a much broader benefit to many thousands of our employees. I invite employees to provide Human Resources with concerns over specific issues that may be faced if the CAT Bank is discontinued.

The proposed Short Term Disability Program would replace the CAT Bank. Attachment 3 gives a comparison of the Short Term Disability Program to the existing CAT Bank. Although the CAT Bank provides for the full pay for an employee's wages for up to six weeks, the Short Term Disability Program would provide for two-thirds pay for up to 24 weeks, which is 18 weeks longer than available for the CAT Bank. The program would cover 6,100 employees, more than 3,500 employees who are not covered by the CAT Bank. All benefits eligible employees would be covered by the Short Term Disability Program without having

to first exhaust their leave accruals, contribute hours or pay premiums. Employees would no longer be required to make contributions to the CAT Bank or to exhaust their available leave. Those leave banks could be used to supplement their pay during disability so that their paychecks would be the same. For several hundred employees who currently pay for their own short term disability insurance policies, a County-paid Short Term Disability Program would enable them to cancel those policies and save the premium payments.

Many employees have contributed sick leave hours to the CAT Bank over the past five years but have not received distributions from the CAT Bank. To make those employees whole, I propose that the County restore any hours of sick leave contributed by any current employee and not previously allocated to the employee out of the CAT Bank.

Recommendation

I recommend the Board of Supervisors approve the Short Term Disability Program to replace the Catastrophic Leave Bank and approve the award of a contract to Lincoln National Life Insurance Company dba Lincoln Financial Group.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/mp – January 31, 2019

Attachments

ATTACHMENT 1

MEMORANDUM

Date: January 14, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Short Term Disability and CAT Bank Update – Informational Only**

To assist employees who may need time off from work to address serious medical issues and the ability to maintain a financial income, Human Resources is working with our broker Alliant to secure rates for Short Term Disability insurance coverage for all benefit eligible employees. The Short Term Disability coverage would replace the Catastrophic Leave Bank (CAT Bank) program that provides limited sick leave only to those employees who participate through contributing some of their sick leave hours, of which approximately 2,668 employees currently participate in the program. The CAT Bank has shown to be unsustainable on a long-term basis due to an average usage of 566 CAT Bank hours per pay period and an available balance of 2,765 CAT Bank hours as of pay period ending January 5, 2019. A continuation of the CAT Bank in its current structure would require participating employees to continue to contribute more and more sick leave into the pool of hours. Such an ongoing requirement would likely cause fewer employees to participate which would cause the bank to have even more difficulty meeting the needs of employees.

A broader and more generous benefit would be to provide all benefits eligible employees with Short Term Disability. This type of program would cover more than 6,200 employees who are benefits eligible. A Short Term Disability coverage would provide for two-thirds of an employee's wages for up to 24 weeks, after an initial 14 day elimination period, which would provide for income up through the time an employee is eligible for long-term disability from ASRS. The employees would be able to supplement the remaining one-third of their wages using their leave accruals. The cost of this added benefit would be free to the employees and would be covered by premiums already being contributed to the Health Care Benefits Trust.

I am recommending that a Short Term Disability program replace the CAT Bank program. Once a Short Term Disability program is in place, I would recommend that the CAT Bank be phased out so that only those employees who are currently utilizing CAT Bank hours would be permitted to exhaust such hours, after which time the CAT Bank program will cease to exist. Because many employees who have contributed their leave hours into the CAT Bank have not had to apply for use of any of the CAT Bank hours, I propose restoring sick hours

donated by current employees to the CAT Bank to their sick time leave banks, to the extent such employees have not already been provided CAT Bank hours for their use. This would essentially make all the current employees who have participated in the CAT Bank program whole, with no penalty for having participated.

I expect to bring a proposed contract for Short Term Disability insurance to the Board of Supervisors at one of the meetings in February.

CHH/mp

c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator-Public Works
Tom Burke, Deputy County Administrator of Administration
Cathy Bohland, Director of Human Resources

ATTACHMENT 2

PIMA COUNTY
HUMAN RESOURCES

MEMORANDUM

Date: December 5, 2018

To: C.H. Huckelberry
County Administrator

From: Cathy Bohland, Director
Human Resources

Via: Tom Burke
Deputy County Administrator 12-7-18

Re: Recommendations for the CAT Bank – Informational Only

1. Background

The CAT Bank was a program initiated in 2013 to assist member employees who have a Catastrophic Event for themselves or a qualifying family member and have exhausted their leave accruals.[1] Beginning with FY 2015/16, Human Resources ("HR") began tracking usage of hours to include: number of hours used; number of hours used for caregiving and self; number of new enrollees; number of employees who have repeated use; and, number of employees who used CAT Bank and then left the County. (See Attachment)

Since FY 2015/16, the average annual amount of contributing members is 2,395 (38,320 hours), with an average of 379 (6,064 hours) new CAT Bank enrollees each year.[2] CAT Bank members provided an additional eight (8) hours of maintenance contribution leave hours in both July 2015 and May 2017, in order to maintain the CAT Bank balance. While the number of CAT Bank hours used by members each fiscal year has steadily declined and the number of new enrollees has increased as evidenced in the attachment, it does not appear that the CAT Bank Program is sustainable to have sufficient hours for the remainder of the current fiscal year.

In FY 2017/18, members consumed 14,836 of CAT Bank hours. At the start of FY 2018/19, the CAT Bank balance was 10,410 hours and as of pay period ending November 24, 2018, members have consumed 7,939 of CAT Bank hours, resulting in a 4,272 CAT Bank hour balance. (See Attachment) For the past seven (7) pay periods, members consumed an average of 566 CAT Bank hours per pay period. At this continued rate of usage, the CAT Bank could easily be exhausted within the next four (4) months.

2. HIBWAC Annual Review and Recommendations

Per Administrative Procedure ("AP") 23-46, *Catastrophic Leave Bank (CAT BANK) Program,* the Health Insurance Benefits & Wellness Advisory Committee ("HIBWAC"), is required to conduct an annual assessment of CAT Bank Hour balances. The HIBWAC members convened and by quorum agreed on the following recommendations for continued CAT Bank maintenance:

a. The maximum allocation of CAT Bank hours for a catastrophic event per member is

[1] In July 2016, childbirth and adoption were excluded from the definition of medical conditions which qualified for CAT Bank hours.

[2] Of these members 922 have terminated the CAT Bank program, with 80 of those former members still remaining employed with the County.

currently 240 hours. **Recommend reducing maximum allocation of hours to 160.**

b. Members are permitted CAT Bank leave each fiscal year. **Recommend approval for CAT Bank hours no more than once every two years.**

c. Employees may only join the CAT Bank within the first 90 days of hire. **Recommend employees be permitted to join the CAT Bank during annual Open Enrollment.**

d. **Members who leave within 90 days of using CAT Bank be required to reimburse the County for the full amount of CAT Bank hours consumed.**

e. **Members who use CAT Bank be required to donate 16 hours of accrued sick leave within the subsequent 12 months of usage, in addition to any member maintenance contribution required in that fiscal year.**

f. **Require all CAT Bank members to provide an annual four (4) hour maintenance contribution to maintain the CAT Bank balance.**

3. Human Resources' Recommendations

Even with the recommendations of HIBWAC as stated above, the CAT Bank does not appear to be sustainable given the amount of hours contributed in relation to the amount of hours consumed annually. In addition, changing the procedure at this stage may cause concerns as members contributed hours with an understanding that it would result in 240 hours of CAT Bank leave. As such, Human Resources makes the following recommendations:

1. Restore sick hours donated by employees to the CAT Bank (whether current or former members) to their sick time leave banks, except to the extent of CAT Bank hours consumed by those members.

2. Due to the continued positive stability of the Health Care Benefits Trust ("Trust"), Human Resources has been reviewing preventative care options that would benefit our employees over the long-term. Short Term Disability insurance has been a topic of review as well and resulted in obtaining several quotes for coverage. With the ongoing decline of the CAT Bank Program, the timing of obtaining Short Term Disability coverage as an employer paid benefit for all active full-time employees working at least 30 hours per week would be advantageous and foreseeably sustainable. The estimated cost for this benefit would be between $1.5 million and $2.0 million annual.

I am available to discuss these options and provide further information as needed.

ATTACHMENT 3

Comparisson of Short Term Disability to Existing CAT Bank

	Short Term Disability	Exisiting CAT Bank
Eligibity Period	Eligible after three (3) months from date of hire	Eligible after six (6) months from date of hire
Waiting Period	14 days	Must exhaust of all leave banks
Maximum Duration	Up to 24 weeks per event	6 weeks per year
Maximum Times Apply	As often as needed	1 time per fiscal year
Employee's Own Health Condiiton	Yes	Yes
Intermittent Use	No	Yes
Caregiving of others	No	Yes
Must exhaust all accruals	No	Yes
Employees Required to Donate Their Own Accruals	No	Yes
Amount of Pay	66.67% - Up to a $1500 Weekly Maximum; employees can use leave banks for the remaining 33.33% pay	100%
Type of Illness/Injury Covered	Covers any illness or injury that prevent employee from performing their job for more than 14 days	Must be catastrophic event