



# Board of Supervisors Memorandum

December 15, 2020

Medical and Dental Insurance for County Employees - Fiscal Year 2021/22

## Background

Pima County is now preparing for next year's benefits plan and as part of that process costs are carefully evaluated. As you know, Pima County made the decision to transition to self-insurance for medical coverage in July of 2013. For FY 2021/22, the projected total medical and pharmaceutical claims cost is \$48 million of which 86 percent is funded by Pima County (Tax Payer) and 14 percent is funded by the employees. As detailed in Table 1, Pima County employees have experienced only one increase in rates since 2016/2017, which was an 8.61 percent increase in 2020/21.

Table 1 Five Year History of Medical Rates

HDHP	2020/21	2019/20	2018/19	2017/18	2016/17
Employee Only	\$38.01	\$35.00	\$35.00	\$35.00	\$35.00
Employee + Spouse	\$50.10	\$46.13	\$46.13	\$48.92	\$48.92
Employee + Child(ren)	\$49.02	\$45.13	\$45.13	\$47.86	\$47.86
Employee + Family	\$67.63	\$62.27	\$62.27	\$66.03	\$66.03

## Pima County Health Care Benefits Trust

The Pima County Health Care Benefits Trust (Trust) currently has a balance of \$22 million, as of September 30, 2020, with a projected net position of \$16.3 million by June 30, 2021. Pima County, along with our Health Care Benefits Trust Board (HBT), want to ensure that we sustain a healthy balance going forward. As a result, the HBT would like the County to maintain a minimum of four months projected claims and expenses on hand. This total currently equates to approximately \$17 to 18 million of needed reserves.

## Improving Health through Healthy Lifestyle Premium Discounts (HLPDs)

In order to maintain and improve the health of our employees, the County offers premium discounts to employees that participate in the Employee Wellness Program. We offer up to a \$35.00 discount per pay period (\$910.00 annually) for employees who meet the eligibility requirements. Table 2 shows the discounts available for next fiscal year.

Table 2 Healthy Lifestyle Premium Discounts

FY2021/22 Discounts		
Discount #1	Be Tobacco-Free	\$20.00
Discount #2	Healthy Lifestyle Activity Points	
	Level 1: 50-99 Activity Points	\$ 5.00
	Level 2: 100-149 Activity Points	\$10.00
	Level 3: 150 or more Activity Points	\$15.00
	Maximum Discount	\$35.00

Currently 92 percent of our employees are enjoying one or more of the available discounts and the Employee Wellness Program continues to receive positive feedback from participants. Many are on their way to earning points in order to receive their discount for July 1, 2021.

**Medical Costs**

This year, the County has experienced higher claims than we have in prior years.<sup>1</sup> Medical and pharmaceutical rates are rising nationally with the current trend at 6.8 percent for Medical and 7.1 percent for Pharmacy. Based upon the most recent 24 months of claims activity, Pima County's FY2021/22 Health Plan Funding Projection is calling for an overall 11.48 percent increase. In order to maintain a sufficient and healthy balance in the Trust, the County will need to increase rates to the employee and the County for the coming plan year ranging from \$4.37 to \$7.77 per pay period, dependent upon the coverage selected. Table 3 below provides the medical rates proposed for Fiscal Year 2021/22.

Table 3 Medical Rates

Level of Coverage	Number of Employees Enrolled	Current Rates FY 2020/21		Proposed Rates FY 2021/22			
		Employee Portion	County Portion	Employee Portion	County Portion	Employee Portion w/\$35 HLPD	Employee Change
Employee Only	2,315	\$38.01	\$142.92	\$42.38	\$159.33	\$ 7.38	\$4.37
Employee + Spouse	833	\$50.10	\$363.90	\$55.86	\$405.69	\$20.86	\$5.76
Employee + Child(ren)	712	\$49.02	\$353.52	\$54.65	\$394.12	\$19.65	\$5.63
Employee + Family	1,231	\$67.63	\$521.62	\$75.40	\$581.52	\$40.40	\$7.77

**Health Savings Accounts (HSA)**

For active employees enrolled in the High Deductible Health Plan (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.

<sup>1</sup> The claims increase does not appear to be related to the COVID-19 pandemic, as COVID-19 costs account for 3.7 percent of the total overall claims expense as of March 1, 2020 - October 15, 2020.

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 for HSAs the same as it is currently.

**Dental Coverage**

Beginning July 1, 2020, Pima County entered into two new contracts for dental services. Delta Dental of Arizona is the Self-Funded Dental Plan administrator and United Concordia/Solstice provides the fully insured Dental Health Maintenance Organization (DHMO) plan.

Below in Table 4 are those bi-weekly rates, which will remain the same for FY 2021/22.

Table 4 Dental Rate

Level of Coverage	Pima County Self-Funded Dental Plan			Dental Health Maintenance Organization		
	Number of Employees Enrolled	Employee Portion	County Portion	Number of Employees Enrolled	Employee Portion	County Portion
Employee only	1,310	\$ 8.92	\$ 8.92	916	\$1.84	\$1.84
Employee + Spouse	577	\$15.44	\$15.44	309	\$3.89	\$3.89
Employee + Child(ren)	459	\$14.53	\$14.53	217	\$5.40	\$5.40
Employee + Family	828	\$21.02	\$21.02	412	\$5.84	\$5.84

**Recommendation**

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

1. Medical premium equivalents as detailed above.
2. Continue offering up to \$35 per pay period for participating in the HLPD program.
3. Continue current dental premiums as detailed above.
4. Continue County HSA contributions as detailed above.

Sincerely,



C.H. Huckelberry  
 County Administrator

CHH/mp – November 16, 2020

c: Cathy Bohland, Human Resources Director