



# Board of Supervisors Memorandum

December 7, 2021

## Medical and Dental Insurance for County Employees - Fiscal Year 2022/23

### 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 2022/23, the projected total medical and pharmaceutical claims cost is \$54.5 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 two annual increases in rates in the last five years, with last year's increase being 11.48 percent.

Table 1: Five Year History of Medical Rates

HDHP	2021/22	2020/21	2019/20	2018/19	2017/18
Employee Only	\$42.38	\$38.01	\$35.00	\$35.00	\$35.00
Employee + Spouse	\$55.86	\$50.10	\$46.13	\$46.13	\$48.92
Employee + Child(ren)	\$54.65	\$49.02	\$45.13	\$45.13	\$47.86
Employee + Family	\$75.40	\$67.63	\$62.27	\$62.27	\$66.03

### Pima County Health Care Benefits Trust

The Pima County Health Care Benefits Trust (Trust) currently has a balance of \$16.9 million, as of September 30, 2021, with a projected net position of \$16.1 million by June 30, 2022. 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 reserve four to six months of projected claims and expenses on hand. A four-month reserve total currently equates to approximately \$17 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

FY2022/23 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 91 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, 2022.

**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 7.2 percent for Medical and 7.3 percent for Pharmacy. Based upon the most recent 24 months of claims activity, Pima County’s FY 2022/23 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 \$4.87 to \$8.66 per pay period, dependent upon the coverage selected. Table 3 below provides the medical rates proposed for Fiscal Year 2022/23.

Table 3: Medical Rates

		Current Rates FY 2021/22		Proposed Rates FY 2022/23			
Level of Coverage	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee Portion Change	Employee Portion w/\$35 HLPD
Employee Only	2,249	\$42.38	\$159.33	\$47.25	\$177.61	\$4.87	\$12.25
Employee + Spouse	804	\$55.86	\$405.69	\$62.27	\$452.25	\$6.41	\$27.27
Employee + Child(ren)	693	\$54.65	\$394.12	\$60.92	\$439.36	\$6.27	\$25.92
Employee + Family	1,164	\$75.40	\$581.52	\$84.06	\$648.25	\$8.66	\$49.06

**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. 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.

Table 4 below provides the dental rates for the Self-Funded Dental Plan proposed for Fiscal Year 2022/23 which ranges in percentages by level of coverage from 6.40 percent to 10.35 percent. The fully insured plans bi-weekly rates will remain the same per the contract as shown in Table 5 below.

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<sup>1</sup> The claims increase does not appear to be related to the COVID-19 pandemic, as COVID-19 costs account for 6.2 percent of the total overall claims expense (including vaccinations) as of January 2020 – September 2021.

Table 4: Self-Funded Dental Rates

Pima County Self-Funded Dental Plan	Current Rates FY 2021/22			Proposed Rates FY 2022/23		
	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion	Employee Change
Employee only	1,445	\$8.92	\$8.92	\$9.84	\$9.84	\$.92
Employee + Spouse	624	\$15.44	\$15.44	\$16.59	\$16.59	\$1.15
Employee + Child(ren)	476	\$14.53	\$14.53	\$15.65	\$15.65	\$1.12
Employee + Family	886	\$21.02	\$21.02	\$22.37	\$22.37	\$1.35

Table 5: Fully Insured Dental Rates

Dental Health Maintenance Organization	Current Rates FY 2021/22			Proposed Rates FY 2022/23	
	Number of Employees Enrolled	Employee Portion	County Portion	Employee Portion	County Portion
Employee only	779	\$1.84	\$1.84	\$1.84	\$1.84
Employee + Spouse	256	\$3.89	\$3.89	\$3.89	\$3.89
Employee + Child(ren)	183	\$5.40	\$5.40	\$5.40	\$5.40
Employee + Family	316	\$5.84	\$5.84	\$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 increased as detailed above.
2. Continue offering up to \$35 per pay period for participating in the HLPD program.
3. Self-Funded Dental premium equivalents increased as detailed above.
4. Continue current fully insured dental premiums as detailed above.
5. Continue County HSA contributions as detailed above.

Respectfully submitted,



Jan Lesher  
 Chief Deputy County Administrator

JL/dk – November 19, 2021

c: Cathy Bohland, Human Resources Director