



MEMORANDUM

Date: December 19, 2016

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

From: C.H. Huckelberry
County Administrator 

Re: **Employee Benefits Fiscal Year 2017/18**

Fiscal Year (FY) 2017/18 will be the fifth year of employee medical and pharmacy self-insurance. Financial analysis of the Health Benefits Trust Fund by both the Finance Department and our Financial Actuary continues to confirm the decision to move to self-insurance was financially sound. Costs and premium contribution rates are lower than they would have been had we remained fully insured. It should be noted the County's cost for health insurance for our employees is more than \$56 million annually; therefore, even a small percentage increase in cost can equal several million dollars.

Based on the current analysis, Human Resources and the Health Insurance Benefits and Wellness Advisory Committee (HIBWAC) are recommending that contribution rates and healthy lifestyle premium discounts remain the same for the FY 2017/18 as the current fiscal year. This would be the first time in memory we did not experience a rate increase.

As a result of plan performance and the Trust Fund reserve balance, the unanimous recommendation from the Human Resources and Finance Department staff, as well as the HIBWAC members, I recommend all employee health benefits plans and rates remain the same for FY 2017/18.

Rate increases for the two years prior to becoming self-insured were in the double digits. Over the first four years of the self-insurance program, rate increases have generally been below 10 percent, primarily to build sufficient Trust Fund reserves. It should be noted that significant rate increases are the trend across Arizona and the nation, and the Affordable Care Act marketplace increases in Arizona are averaging 116 percent this year alone. The national average Marketplace increases are between 22 and 25 percent. The national medical trend is an increase of 7.8 percent and 11.3 percent for pharmacy.

As our employees become better healthcare consumers, our claims have stabilized over the last three years. With all members now on a High Deductible Health Plan (HDHP) our claims experience should continue to be stable, and projections for the first half of the current fiscal year are consistent with this expectation. If current trends continue, it may be possible to provide employees and County departments a one pay period rate contribution holiday during

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the coming fiscal year. Human Resources will be working closely with Finance, as well as HIBWAC and the actuary, to determine if this is possible.

The final year of services with various third party vendors is FY 2017/18. As such, Human Resources will work with the Procurement Department to issue a request for proposals during the first quarter of 2017. I will provide more information as that process moves forward. Below is a list of the areas of service and current vendors for which we will be soliciting proposals.

Medical Third Party Administration (TPA) – Current vendor is Aetna
Pharmacy Benefits Management (PBM) – Current vendor is Aetna
Employee Assistance Program (EAP) – Current vendor is Aetna
COBRA Administration – Current vendor is Application Software Inc. (ASI)
Flexible Spending Account (FSA) Administration – Current vendor is ASI

CHH/lab

c: Tom Burke, Deputy County Administrator for Administration
Allyn Bulzomi, Director, Human Resources
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management