



Board of Supervisors Memorandum

March 5, 2013

Medical Insurance for Pima County Employees for Fiscal Year 2013/14

Introduction

Pima County has been strategically working on long-term approaches to reduce the rising cost of healthcare while still providing comprehensive healthcare for our employees. We are now, for the first time in a number of years, at a point where the aggregate amount paid in premiums exceeds claims cost. Previously, due to contract negotiations and rate guarantees, claims paid exceeded premiums; which, in turn, made a fully insured environment more advantageous. The County has been monitoring the trend closely, and the time has come where it is a financially sound decision to transition to a self-insurance model for our medical coverage.

Additionally, over the last several years, employees have become more engaged in their consumption of healthcare, and we have revised our health plan design options becoming more financially stable for the long term. We have transitioned the majority of our employees to High Deductible Health Plans (HDHPs) with Health Savings Accounts (HSAs). Over 66 percent of our employees are now enrolled in the HDHP/HSA.

Service Categories of Self-insured Medical Program

During the Request for Proposals (RFP) process, the County sought marketplace responses for the following six service categories that are needed to effectively operate and manage our health and related benefit programs. For these service categories, we received 59 responses from 21 different companies.

1. Third Party Administrator (TPA) to pay claims; provide a comprehensive provider network; provide wellness and disease management programs and technology resources to assist our population with cost data and options for care prior to treatment or consumption of healthcare resources.
2. Pharmacy Benefit Manager (PBM) to administer pharmacy claims and provide employees with technology and resources to select the most cost effective and efficacious prescription drugs to optimize the employee and County costs.
3. Employee Assistance Program (EAP) that is available to all employees regardless of whether they are enrolled in the medical plan.
4. Reinsurance or Excess Loss Insurance (Stop Loss) that financially protects the County from the excess cost of catastrophic claimants on an individual

basis. Additionally, we sought aggregate protection that provides the County a level of financial protection in the event our entire group claims run at a level beyond forecast or projections.

5. COBRA Administrative Services to administer continuation of healthcare services after eligibility ends.
6. Flexible Spending Account (FSA) to administer healthcare, dependent care and parking reimbursement services.

Evaluation of Proposals

The Evaluation and Selection Committee (Committee) was comprised of three voting members: Deputy County Administrator Jan Leshner, Human Resources Director Allyn Bulzomi, and Finance Director Tom Burke. The Committee was assisted by staff that possesses specialized expertise in Benefits, Wellness, Risk Management and Disease Management. The Committee evaluated proposals received for TPA, PBM, Stop Loss and EAP and determined which companies would participate in the oral interviews and the best and final offer process.

In addition, the Health Insurance Benefit and Wellness Advisory Committee (HIBWAC) participated in oral presentations and interviews of all finalists, which were conducted the week of January 28, 2013. Based on the scoring of the oral interviews, analysis of proposals and best and final offers, and analysis of projected claims over the next five years, consensus was reached to recommend award of the contracts for the following categories:

Table 1: Recommended Contract Awards.

Service Category	Provider
TPA	Aetna
PBM	Aetna
EAP	Aetna
Stop Loss	Symetra
FSA	ASI
COBRA Administration	ASI

The Committee recommended that the PBM and EAP components be bundled with the TPA services under one vendor. This integration will assist employees with seamless transactions and continuity of care and is advantageous to the overall cost projections. Aetna provides a system that integrates all healthcare data across the entire continuum, which further enables employees to be better stewards of healthcare resources consumption. Aetna's proposal was markedly distinct compared to others. A major area of focus was on assisting the employee and their covered dependents in giving them

meaningful tools, options and cost data prior to employees seeking care by providing proactive education prior to treatment. Aetna's approach enables employees to have information and alternatives prior to seeking care.

In addition, the Committee also believes Aetna provides the best technology solution for our HSA participants to maximize the use of their fund balances. Aetna has also agreed to be the County's Claim Fiduciary; meaning that if an employee challenges claim determinations, they will resolve these issues, including accepting the litigation risk if the County is subsequently named in a suit concerning the denial or payment of claims.

Table 2 below provides the scoring summary for the three finalists for TPA services.

Table 2: TPA Evaluation Points – Fiscal Year (FY) 2013/14).*

Scoring Category	Aetna	CIGNA	United
Cost (Maximum 30)	29.2	30.0	27.0
Qualifications of Firm (Maximum 15)	15.0	15.0	15.0
RFP Questionnaire Responses (Maximum 50)	48.0	42.0	39.0
Performance Guarantees (Maximum 5)	4.0	5.0	2.0
Oral Presentation (Maximum 100)	90.6	76.5	58.3
Total Score (Maximum 200)	186.8	168.5	141.3

**Cost points are based on the first year administrative fees and wellness allowance only.*

Table 3 below provides a five-year projected cost comparison summary between the top two finalists, including projected claims.

Table 3: Comparison of Aetna and CIGNA Five-year Projected Costs.

Fixed Costs						
Provider	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	Total
Aetna	\$2,202,689	\$2,523,274	\$2,633,282	\$2,909,806	\$3,010,275	\$13,279,325
CIGNA	2,063,366	2,034,751	2,071,632	2,130,133	2,189,906	10,489,790
Difference in Fixed Cost	\$ 139,323	\$ 488,523	\$ 561,649	\$ 779,672	\$ 820,369	\$ 2,789,536

Variable Costs (Projected Claim Target Per Employee Per Month with 6 Percent Claim Trend)

Provider	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	Total
Aetna	\$33,940,095	\$35,976,819	\$38,135,631	\$40,423,527	\$42,848,774	\$191,324,846
CIGNA	35,522,164	37,653,634	39,912,916	42,307,640	44,846,073	200,242,427
Net Difference In Total Costs	(\$ 1,442,747)	(\$ 1,188,293)	(\$ 1,215,636)	(\$ 1,104,440)	(\$ 1,176,930)	(\$ 6,128,045)

In addition to the \$6.1 million projected difference under the Aetna proposal, Aetna will provide approximately \$155,000 more in wellness/implementation credits and services over the next five years, including an onsite registered nurse for benefits and wellness programs.

Another area that was studied during this process was the variance provider networks offer by Aetna and CIGNA compared to our current network with UnitedHealthcare. Aetna's network provided the least amount of disruption to our employees. Of the 2,984 in-network service providers our employees and their families utilized last year, all but 48 are also contracted with Aetna; whereas 102 are not contracted with CIGNA.

Reinsurance/Excess (Stop) Loss Insurance Protection

The Committee reached consensus on recommending the Reinsurance (Stop Loss) contract be awarded to Symetra, Inc. Symetra is one of the leading providers of medical stop loss in the United States and was the top scorer in the Stop Loss service category. Our goal is to build our reserves over the next five years so the County will not need to purchase reinsurance protection in the future. However, given this is our first endeavor in self-insurance, it is prudent to initially purchase stop loss or reinsurance protection.

Symetra does not have exclusions in their contract, and all claims for medical plan and prescription drugs are covered. The Committee has recommended \$300,000 per individual stop loss level with a \$100,000 aggregating corridor. What this means is that Symetra will stop our risk (and payments of claims) for anyone reaching \$300,000 annually in claims with the County accepting an additional corridor of \$100,000 in total large claimant risk over all employees.

In addition, Symetra will stop the overall County's costs in the event that total claims for the entire year exceed 20 percent of the forecasted claims annually. Given the stability of our workforce and the fact that the health benefits plans themselves will not be changing for next year, the actuarial risk of this occurring is remote. Nonetheless, the extra cost of this protection is \$1.60 per employee per month, or approximately \$102,000 annually. This is prudent to purchase in our initial year of self-insurance. It should be noted that Aetna was the only TPA bidder that agreed to release case management status notes for large claimants to Symetra at time of renewal. This is a critical detail that will assist the stop loss underwriters to provide the most competitive renewal possible.

Pima County Health Benefit Cost Projections

As we transition to a self-insurance environment, health benefit costs are projected forward based on our historical claims experience plus the administrative costs and stop

loss insurance. The chief actuary for CBIZ, Pima County's benefits consultant, projected costs under a self-insured plan for FY 2013/14. Currently, for FY 2012/13, the total cost under the fully insured plan with UnitedHealthcare, including the HSA funding, is \$46.2 million. The actuarial projections for FY 2013/14 call for an increase of 1.89 percent, or approximately an \$800,000 increase. This is substantially lower than the 18 percent increase we experienced for FY 2012/13 under the fully insured model.

Given self-insurance is comprised of estimates on claims to be paid, the actuary developed ranges of projected costs. The actuarial low-end depicts that we could have a 3.11 percent reduction in costs under a best-case scenario. Conversely, we could see a 6.89 percent increase in costs if claims run on the high end of expected experience. However, today's forecasts yield an expected claims cost increase of 1.89 percent. I recommend using the expected claim costs to determine employee share for next fiscal year. Also, the actuary noted that the rate differentials between the Preferred Provider Option (PPO) and the HDHPs are not congruent with actual claims experience of each of the respective underlying plans; and in fact, the claims experience of the HDHP is much more favorable than that of the PPO. Accordingly, the actuary recommends we spread the rates between the plans to more accurately reflect costs of each plan.

From a long-term perspective, self-insured employers should fund their plans with adequate capital and reserves to absorb or weather any adverse temporary claim fluctuations or experience. I recommend we use the actuarial high-end expected cost projections to "fund the plan" for FY 2013/14, which is the 6.89 percent noted above.

Claim reserve funding is typical in self-insured plans and serves as a stabilizing component for claim spikes or fluctuations, as well as eliminating the need to purchase stop loss insurance in future years. Initial funding of the Self-insurance Trust Fund will be through a loan from the General Fund. The loan will be repaid to the General Fund with interest at a rate comparable to the Local Government Investment Pool over a reasonable time period.

The budget for FY 2013/14, which includes a \$2.2 million reserve, is projected at \$46.4 million. The County will be able to keep employee healthcare costs essentially stable while, at the same time, create a reserve to reduce future costs. Table 4 below is a breakdown of expected costs.

Table 4: FY 2013/14 Self-insurance Budget.

Description	Estimated Cost
Projected Medical and Pharmacy Claims	\$33,940,095
TPA/PBM/EAP	2,202,689
Mandated Federal Healthcare Reform Costs	316,668
Internal County Fixed Costs	1,220,254

Table 4: FY 2013/14 Self-insurance Budget.

Description	Estimated Cost
Stop Loss Insurance	859,074
Health Savings Accounts	5,608,542
COBRA	12,718
Flexible Spending Accounts	7,631
Reserves (5 percent)	2,208,384
Total	\$46,376,055

Self-insurance Trust Fund and Board of Trustees

Arizona law requires that the funding for self-insurance programs be deposited in a trust established by the Pima County Board of Supervisors to satisfy the requirements of Arizona Revised Statute §11-981. The attached Pima County Healthcare Benefits Trust document is recommended for adoption by the Board of Supervisors for compliance with this statute.

The trust document establishes a Board of Trustees that will be responsible to the Board of Supervisors for oversight of the trust. To ensure the long-term success and viability of the Self-insurance Trust Fund, Trustees shall be qualified individuals with expertise regarding Employee Benefits, Insurance, Self-insurance and Financial Management. The names of the recommended Trustees will be provided on or before Board of Supervisors consideration of this item at its March 5, 2013 meeting.

Improving Health through Healthy Lifestyle Premium Discounts

Pima County is committed to helping our employees improve their health and wellbeing and currently incentivizes employees who engage in healthy lifestyle choices and actions. We offer up to four \$5 Healthy Lifestyle Premium Discounts (HLPDs) per pay period for a maximum discount of \$20 per pay period. Table 5 below describes these four discount opportunities.

Table 5: HLPD Opportunities.

Discount	Description
1	Being tobacco-free
2	Completing an online health assessment
3	Receiving a preventive health exam or screening
4	Exercising a minimum of 600 minutes per month and submitting tracking logs or participating in alternative programs offered by Employee Wellness

Currently, 79 percent of our employees are enjoying one or more of these available discounts. The current practice allows employees to log on to ADP and certify their eligibility with frequent audits performed by Human Resources to assess compliance throughout the year. We have not yet reached full compliance; therefore, our goal is to transition next year where all activities need to be completed by the end of February to be eligible for discounts for the following fiscal year.

Compliance can then be audited during Open Enrollment, and we can ensure that discounts are valid. Eligible wellness activities completed since March 1, 2012 have been made available on the ADP HR/Benefit solution for employees to monitor and ensure accuracy. Using this approach, employees are eligible to earn future discounts rather than potentially losing a current discount.

Discounts for FY 2013/14 would be based on answers provided by the employees during this year's Open Enrollment period and can be audited by reports provided by Employee Wellness and UnitedHealthcare. During this same time period, we will be gearing employees toward completing their actions for FY 2014/15 discounts by February 28, 2014. Again, if we transition to all actions being completed by end of February for the following fiscal year, audits can be completed during Open Enrollment before discounts are granted.

Verifying Employees are Tobacco-free

One area of concern is ensuring that employees who receive Discount 1 are truly tobacco-free. The purpose of this incentive is to not only improve health, but reduce costs. We currently have 3,800 employees receiving the tobacco-free discount. The cost to test each employee would be counterproductive and cost prohibitive. I recommend we conduct a random sampling of five percent each year and test just that population.

Individual Costs

Table 6 below shows the current rates for employees and the County, as well as the proposed rates for FY 2013/14 with plan designs remaining the same as that currently offered. Table 6 below reflects the direct impact on premiums.

Table 6: Current Medical Plan Rates for FYs 2012/13 and 2013/14.

Plan Type	Coverage Level	Number of Employees Enrolled	Current Rates FY 2012/13		Proposed Rates FY 2013/14		
			Employee (Ee) Portion	County Portion	Employee Portion	County Portion	Ee portion w/\$20 HLPD
PPO	Ee Only	824	\$40.51	\$134.36	\$42.93	\$151.46	\$22.93
	Ee + Spouse	327	85.64	314.49	90.75	354.05	70.75
	Ee + Child(ren)	261	83.70	305.95	88.69	344.46	68.69
	Ee + Family	386	122.80	446.70	130.13	502.95	110.13
HDHP	Ee Only	1421	20.00	114.80	20.00	120.51	0.00
	Ee + Spouse	514	29.50	278.90	29.50	292.00	9.50
	Ee + Child(ren)	523	29.50	270.83	29.50	283.58	9.50
	Ee + Family	1043	47.20	391.73	47.20	410.39	27.20

Health Savings Accounts

For active employees enrolled in the HDHP with HSA, Pima County makes biweekly HSA contributions in the amount of \$38.46 for single coverage and \$76.92 for those insuring dependents. Annualized, \$1,000 for employee only and \$2,000 for employee plus dependent(s) equates to 50 percent of the plan year deductible.

As a result, our employees' HSA balances continue to grow each year. As of January 1, 2013, 66 percent of our insured employees (3,470) have an HSA; and the combined cash and investment balance in all accounts for our employees is approximately \$9.9 million. These accounts are to be used for future out-of-pocket healthcare costs. The average HSA cash balance is \$2,800, which exceeds the annual deductible for single coverage. The HDHP with HSA continues to be a significant cost savings benefit for our employees with favorable feedback. I recommend maintaining the current HSA funding level.

Dental Plans

The County offers two dental plans.

1. Pima County Dental is a self-insured dental plan. Currently, there is a general annual limit of \$1,000 and a periodontal and orthodontia lifetime

limit of \$1,000, both of which have been in place for many years. Given the increase in cost, it is recommended to increase the annual limit to \$2,000 and remove the lifetime limits on periodontal and orthodontia.

2. Employers Dental Service is a fully insured dental maintenance organization.

Table 7 below shows the direct impact of the increase in premiums.

Table 7: Current Dental Plan Rates for FYs 2012/13 and 2013/14.

			Current Rates FY 2012/13		Proposed Rates FY 2013/14	
Plan	Level of Coverage	Number of Employees Enrolled	Employee (Ee) Portion	County Portion	Employee Portion	County Portion
Pima County Dental	Ee Only	932	\$ 7.79	\$7.79	\$10.23	\$10.23
	Ee + Spouse	419	19.18	7.79	25.20	10.23
	Ee + Child(ren)	281	17.59	7.79	23.11	10.23
	Ee + Family	572	28.94	7.79	38.01	10.23
Employers Dental Service	Ee Only	1,286	1.88	1.88	1.94	1.94
	Ee + Spouse	544	6.11	1.88	6.29	1.94
	Ee + Child(ren)	425	9.21	1.88	9.48	1.94
	Ee + Family	790	10.11	1.88	10.41	1.94

Summary

In consideration of the formation presented above, the recommendations listed below are presented for the Board's consideration. Throughout the evaluation process, a key consideration was the possible impact to our employees concerning provider access and cost of the plan. Based on the disruption analysis of the recommended provider, there is a 98.4 percent match to the current provider network. Current plan designs will remain the same for the coming plan year, and the transition to self-insurance should be virtually seamless for our employees.

The change in employee medical payroll deductions from the current year will be negligible. The increase in Pima County Dental premiums is due to plan enhancements that have been requested over past years by employees.

Recommendation

I recommend the Board of Supervisors approve the following:

1. Developing final contracts for the County self-insured medical program with:
 - A. Third Party Administrator: Aetna
 - B. Pharmacy Benefit Manager: Aetna
 - C. Employee Assistance Program: Aetna
 - D. Stop Loss Insurance: Symetra
 - E. Flexible Spending Accounts: ASI
 - F. COBRA Administration – ASI;
2. Establishing a Pima County Healthcare Benefits Trust and appointing trustees for same;
3. Continuing County Health Savings Account funding annualized at \$1,000 for employee only and \$2,000 for employee plus dependents;
4. Continuing the Healthy Lifestyle Premium Discounts and proposed verification process;
5. Enhancing the Pima County dental benefits; and
6. Rates detailed in Tables 6 and 7 above.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – February 22, 2013

Attachment

c: Martin Willett, Chief Deputy County Administrator
Jan Leshar, Deputy County Administrator for Medical and Health Services
Allyn Bulzomi, Director, Human Resources
Tom Burke, Director, Finance and Risk Management

PIMA COUNTY HEALTH CARE BENEFITS TRUST

RECITALS

- A. Pima County, Arizona (“Pima”) currently provides certain health and other benefits for certain of its employees, former employees through COBRA (Consolidated Omnibus Budget Reconciliation Act), elected officials, and their beneficiaries.
- B. Arizona law authorizes Pima to establish a self-insurance program. Pima currently self-insures against liability, and has established a self-insurance trust for that purpose, the purpose and administration of which is governed by Chapter 3.04 of the Pima County Code.
- C. Pima now intends to establish a program of self-insurance for the management and administration of health benefits.
- D. Arizona law requires that the funding for such self-insurance program be deposited in a trust and the Pima County Board of Supervisors intends the trust established by this document (this “Trust Declaration”) to satisfy the requirements of Section 11-981 of the Arizona Statutes with respect to such trust.

The Board of Supervisors of Pima County hereby declares as follows:

1. DEFINITIONS

- 1.1. “Beneficiary” means Participant or a person designated by a Participant who is or may become entitled to a benefit under the Plan.
- 1.2. “Board” means the Pima County Board of Supervisors
- 1.3. “Code” means the Pima County Code.
- 1.4. “Employee” means an individual that Pima classifies and treats as an employee (not as an independent contractor) for payroll purposes.
- 1.5. “Fund” means the assets of the Trust, in whatever form or location.
- 1.5.1. “Participant” means an Employee, former Employee, or Pima elected official who is eligible to participate and is participating in the Plan.
- 1.6. “Pima” or “County” means the County of Pima, Arizona.
- 1.7. “Plan” means the arrangement pursuant to which Pima provides self-insured medical benefits to Participants and Beneficiaries.
- 1.8. “Plan Administrator” means the Human Resources Director of the County (the “HR Director”), who has been directed by the Board to administer claims and services under the Plan. The Plan Administrator may act in reasonable reliance on the actions of one or more third-party administrator(s) under contract with the County to provide plan administration services.
- 1.9. “Plan Year” means the fiscal year of the Plan.

1.10. "Trust" means the trust established pursuant to the Trust Declaration.

1.11. "Trustees" means the Trustees described in this Trust Declaration.

2. ESTABLISHMENT OF TRUST

2.1. **Establishment.** Pima hereby establishes the Trust, consisting of such monies as Pima may deposit from time to time in the Fund, and in such accounts as are used to hold and invest the monies of the Fund; plus all other money or property that lawfully becomes a part of the Trust; plus all the earnings, income, gains, appreciation and all other increments of any nature from the foregoing; and less payments made pursuant to this Trust Declaration.

2.2. **Name.** The Trust will be known as the Pima County Health Care Benefits Trust; it will be kept separate from the loss trust fund established by Section 3.04.050 of the Pima County Code.

2.3. **Purpose.** The Fund will be held, invested, reinvested, and administered solely in the interest of Participants and Beneficiaries and for the purpose of providing benefits to the Participants and their Beneficiaries and defraying the reasonable expenses of administering the Plan and the Trust.

3. ORGANIZATION AND OPERATION OF TRUSTEES

3.1. **Number and Identity.** There will be five Trustees, including the Director of Human Resources. The County Administrator will recommend the remaining four Trustees for approval by the Board of Supervisors. No more than one Trustee may be a member of the Board of Supervisors, and no Pima employee other than the HR Director may be a Trustee.

3.2. **Bonding.** All Trustees will be bonded in an amount to be approved by the County Administrator. This requirement may be satisfied by a blanket performance bond or other coverage provided by Pima.

3.3. **Officers.** At the commencement of each Plan Year, the Trustees will elect a Chairperson, Vice-Chair and a Secretary from among themselves. The Chairperson will preside over the work of the Trustees pursuant to this Trust Declaration. The Vice-Chair will preside in the Chairperson's absence. The Secretary will maintain accurate records of all actions of the Trustees, including minutes of all Trustees' meetings. In the initial year of the Trust the HR Director will serve as the Chairperson.

3.4. **Term.** The HR Director will serve as a Trustee as long as he/she is employed as the Director of Human Resources. Each of the other Trustees will serve a three-year term, unless terminated as described in this Article, and except that the terms for the first four non-employee Trustees will be as follows: one Trustee to serve an initial term of one year, two Trustees to serve an initial term of two years and one Trustees to serve an initial term of three years. The Board will determine which of the first four Trustees will serve the one-year, two-year and three-year terms. Trustees may serve no more than two consecutive terms.

3.5. **Termination.** The term of any Trustee will automatically terminate upon the earliest of the following; death; resignation; removal; or, for a Trustee who is an employee of Pima, the

termination of such employment. Upon the effective date of the end of such Trustee's term, the Trustee will be discharged from any further duty or responsibility under the Trust, and must return any and all property in his or her possession or control that belongs to the Plan or Trust. The Board will appoint a successor to fill the vacancy for the unexpired portion of the term.

- 3.6. Resignation or Removal of a Trustee.** A Trustee may resign or be removed by the Board of Supervisors. The resignation or removal will take effect on its stated effective date unless a new Trustee is appointed and accepts appointment prior to the stated effective date, in which case the resignation or removal will be effective on the new Trustee's date of acceptance.
- 3.7. Meetings.** The Trustees will meet no less than four times per Plan Year. In calling, providing notice of, and holding meetings, the Trustees will conform to applicable law, including the Arizona Open Meeting Law.
- 3.8. Quorum.** A majority of appointed Trustees constitutes a quorum.
- 3.9. Voting.** Each Trustee will have one vote. All actions by and decisions of the Trustees will be by the affirmative vote of a majority of the number of Trustees attending a duly called meeting of the Trustees at which a quorum is present.
- 3.10. Exculpation of Trustees.** No Trustee will be individually liable for any action or omission in the conduct of his duties with respect to the Trust, unless such action or omission is due to the Trustee's own gross negligence, criminal conduct, willful misconduct, or lack of good faith.
- 3.11. Indemnification of Trustees.** Any person who is or has served as a Trustee will be indemnified (by the County's loss trust) against all damages, liabilities and expenses incurred by or imposed on him in connection with any claim, suit, action or proceeding concerning the Trust or his acts or omissions as a Trustee, including, without limitation, legal fees and amounts paid in any compromise or settlement, unless such acts or omissions constitute gross negligence, criminal conduct, willful misconduct or lack of good faith.
- 3.12. Compensation of Individual Trustees.** An individual Trustee, other than the County employee member, will be paid \$1,500 per year (paid from the County general fund) for participation as a Trustee.
- 3.13. Conflicts of Interest.** No Trustee may have a direct or indirect financial interest in the actual or proposed award of any business, service or product administered or overseen by the Trust, including without limitation the Plan and the administration of the Plan. No Trustee, or member of any Trustee's immediate biological, adoptive or step-family (spouse, parent, sibling, child, grandchild, grandparent, aunt, uncle, first cousin or in-law) may receive any financial benefit, award or contract for products or services overseen or provided by or through the Trust, unless such interest is disclosed. A Trustee may request an opinion from the Pima County Attorney regarding whether he/she or any other Trustee has a conflict under this paragraph. The written opinion of the County Attorney in response to such an inquiry, which will be delivered to all the Trustees and to the Clerk of the Board, is binding.

4. MANAGEMENT OF THE TRUST

- 4.1. Trustees.** The Trustees will provide general oversight of the Trust and serve in an advisory capacity to the Board of Supervisors. The Trustees will cooperate with County staff and officials who provide the day-to-day management and administration of the Fund, and with any third-party administrators under contract with the County. The Trustees will submit an annual report to the Board through the County Administrator regarding the Fund, including its current status and value, operating results, claims experience and activity, investment income, and trends in benefit use. The Trustees will make recommendations as they deem appropriate regarding the management of the Fund, including such things levels of risk retention and transfer (reinsurance); funding levels; investment of the Fund; and reserve requirements and amounts. The Trustees do not have authority or responsibility to prosecute or defend actions, claims, or proceedings necessary or advisable for the protection of the Trust.
- 4.2. Risk Management Consultant or Insurance Administrator.** The County Administrator will designate a risk management consultant or insurance administrator licensed pursuant to Title 20, Chapter 2 of the Arizona Statutes, and the Board will verify such licensure.
- 4.3. Auditor.** The Board will engage an external auditor to perform an annual audit of the Trust. Each audit report will be kept on file for five years with the Clerk of the Board.
- 4.4. Stop-Loss.** The Board will procure appropriate aggregate stop-loss and specific stop-loss reinsurance for benefits funded by the Trust from an insurer authorized to do business in Arizona.
- 4.5. Day-to-Day Management.** The Fund will be administered on a day-to-day basis by the County's Director of Finance and Risk Management, the Plan Administrator, and the County Treasurer, who will submit reports as appropriate to the Trustees and the Board. The Fund will be held and invested by the County Treasurer pursuant to applicable law and County policies, separate from other County funds.
- 4.6. Plan Administration.** The Plan will be administered by the Plan Administrator; the Trustees do not have the authority to engage third parties to provide services for the Plan, nor do they have authority or responsibility for the following, which will be done by the Board or the Plan Administrator as appropriate:
- 4.6.1. Designing, adopting, amending or terminating the Plan;
 - 4.6.2. Ensuring that the Plan complies with state or federal laws mandating the terms of the Plan;
 - 4.6.3. Selecting or engaging service providers for the Plan;
 - 4.6.4. Determining what portion of Plan premiums should be paid by Participants or the County; or
 - 4.6.5. Collecting premiums from Participants.

5. CONTRIBUTIONS TO AND DISTRIBUTIONS FROM THE TRUST

5.1. Contributions

- 5.1.1. **Premiums.** The Board will approve the total premium that will be required to participate in the Plan at each coverage level (e.g., individual coverage, family coverage). In determining total premiums, the Plan Administrator will consult with the Trustees, the insurance administrator engaged to assist the Trust, and the actuary familiar with the Trust and the Plan. In determining the total premiums, the Plan Administrator will consider all reasonable factors, including but not limited to the amount of reserves in the Trust, the claims experience of the Plan and Trust, market conditions, and cost trends. The Plan Administrator, in conjunction with the Trustees, will determine the total premiums no less frequently than annually, and make recommendations to the Board for approval.
- 5.1.2. **Payment by Participants.** The Board will approve what portion of the premium should be paid by Participants and what portion by the County, and the Board will cause the County to collect premiums from Participants and deposit those premiums, and the amounts being contributed by the County, in the appropriate Trust Fund accounts. In the event that a Participant or Beneficiary fails to pay the appropriate portion of his or her premium, the Board will ensure that the total premium is nevertheless paid to the Trust.
- 5.1.3. **Other Funding.** The Trust may also receive additional funding, including but not limited to any one or more of the following: interest, dividends, rebates, gifts, grants, recovery from insurers, subrogation, or reimbursement.

5.2. Distributions. Distributions from the Trust may be made for any of the following:

- 5.2.1. **Benefits.** Paying for or providing benefits to Beneficiaries, in accordance with the terms, provisions and conditions of the Plan, as determined and directed by the Plan Administrator. The Trustees have no obligation or authority to evaluate whether the Plan Administrator's directions are correct.
- 5.2.2. **Expenses.** Paying all reasonable expenses of operating, administering or managing the Plan or Trust, including but not limited to:
- 5.2.2.1. Where third parties are engaged to provide services to the Plan or Trust, compensating such third parties.
 - 5.2.2.2. Where Pima employees render services to the Trust or Plan, compensating Pima for such services.
 - 5.2.2.3. Where taxes or assessments are levied or imposed upon the Trust or the Plan, paying such taxes or assessments.

5.2.3. **Return of Mistaken Contributions.** A contribution made by Pima as the result of a mistake may be returned to Pima, *provided that* the repayment is not prohibited by applicable law

5.2.4. **Upon Termination.** Upon termination of the Trust, after all obligations of the Trust and Plan have been satisfied, any remaining Funds will revert and be distributed to Pima's general fund.

6. AMENDMENT AND TERMINATION

6.1. **Amendment of Trust.** This Trust Declaration may be amended in writing at any time by the Board. The Trustees may recommend amendments to the Board. Notwithstanding the foregoing, no amendment may be adopted that alters the basic purpose of the Trust, causes the Trust to lose its tax-exempt status, conflicts with any applicable law or government regulation, or retroactively deprives anyone of a vested right or interest.

6.2. **Termination of Trust.** The Trust will continue until terminated by the Board in writing.

6.3. **Amendment and Termination of Plan.** Nothing in this Trust Declaration limits Pima's ability to amend or terminate the Plan.

7. GENERAL PROVISIONS

7.1. **No Right, Title or Interest.** No Employee, Participant, or Beneficiary has any right, title or interest in the Trust except as provided from time to time by this Trust Declaration or the Plan, and then only to the extent of the benefits payable to such person under the Plan.

7.2. **Non-alienation of Benefits.** The Trust will not be subject to any manner of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability for alimony or other payments for the support of a spouse, former spouse or any relative. Any attempt to anticipate, alienate, settle, transfer, assign, pledge, encumber, charge or otherwise dispose of the same is void. The Trust will not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits under the Plan.

7.3. **Incompetency.** In the event it is determined that any person entitled to receive benefits is unable to care for his or her affairs because of mental or physical incapacity, the benefits due such person may be paid to his or her legal guardian or conservator, or to any relative by blood or by marriage to be used and applied for the benefit of such person. Payment to such legal representative or relative of the person on whose account benefits are payable will operate to discharge Pima and the Trustees from any liability to such person or to anyone representing him or her (or his or her interest), without any duty or obligation to see that the funds are used or applied for the benefit of such person.

7.4. **Notice and Delivery of Documents.** Any notice required to be given under this Trust Declaration may be given in person or by first-class mail. When notice is given by mail, it will be deemed to have been given as of the date of posting to the last-known address of the addressee available from the Trust records.

7.5. Construction. This Trust Declaration is created and accepted in the State of Arizona. All questions pertaining to its validity or construction not otherwise preempted by federal law will be determined in accordance with the laws of the State of Arizona. If any provision contained in this Trust Declaration is held unlawful, that provision will be of no force and effect and this Trust Declaration will be treated as if such provision was not been contained therein.

IN WITNESS HEREOF, Pima County hereby establishes the Pima County Healthcare Benefits Trust.

DATED this ___ day of _____, 2013.

PIMA COUNTY, ARIZONA
A Political Subdivision of the State of Arizona

Ramón Valadez, Chairman of the Board of Supervisors

ATTEST:

Robin Brigode, Clerk of the Board

APPROVED AT TO FORM:

Deputy Pima County Attorney