



MEMORANDUM

Date: September 28, 2016

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the typed name and title.

Re: **Pima County Medical and Health Self-Insurance Program**

Attached is a draft Aetna Case Study regarding our transition to a self-insurance model for medical and health insurance benefits for employees.

This document will be finalized and published nationwide by Aetna in the near future. It reaffirms the positive benefits for our employees, as well as Arizona taxpayers, when transitioning from the purchased fully-insured model to self-insurance.

We are no longer subject to double-digit rate increases in our health insurance premiums and these costs have stabilized. We have avoided over \$44 million in health costs during the first three years of this transition. Today, the County has a net positive Trust Fund reserve of over \$21 million as of December 2015. I expect this positive Trust Fund reserve will substantially grow by the next reporting period.

Most importantly, our employees, through Health Savings Accounts (HSAs), now have more funds for their future health maintenance costs. The employee fund balance for all HSAs has grown to \$16 million. These are funds that can be used by individual employees to pay for plan deductibles, coinsurance and other qualifying expenses. The County has also provided significant incentives in the area of HSAs by our contributions. We will continue to encourage employees to make equal or greater contributions to these accounts in the future. HSAs are fully owned by employees and can be used tax-free for any qualified medical expenses throughout their life.

More importantly, the educational program undertaken to encourage our employees to become critical health and medical consumers has resulted in improved health outcomes. Employees have engaged in aggressive disease management programs and reduced a number of diseases that can be very costly if not managed aggressively. The disease management program allows our employees to manage these diseases before they become critical.

This national recognition of our program reinforces the benefits of transitioning from the traditional insurance model to a consumer-driven self-insurance model that saves taxpayers money and improves employees' health outcomes.

CHH/anc
Attachment

c: Tom Burke, Deputy County Administrator for Administration
Allyn Bulzomi, Director, Human Resources

Quality health plans & benefits
Healthier living
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Pima County, AZ

Aetna case study

Challenges become success stories
when the right people work together



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Pima County challenges and the opportunity for new solutions

The challenge:

In 2013, there were a number of fiscal concerns facing Pima County's leadership, including an escalating employee benefits budget.

Left unchecked, health care expenses seemed likely to impact other county services. Reducing costs without adversely affecting the County's budget or ability to provide services was a priority.

Faced with upcoming rate increases and alarming medical trends, County officials decided to actively pursue new program options.

Pima County experienced double digit rate increases as high as 18% during the 2011–2013 fiscal years.

Pima County officials decided to look into new provider options for their health care and released a formal request for proposal in 2013.

The request specifically focused on alternate funding arrangements, new plan options, and stronger cost containment solutions.

The evaluation process ultimately led to Pima County's decision to enter into a five-year agreement with Aetna for its 5,700 active employees and pre-Medicare age retirees.

The opportunity:

Actively embracing the philosophy of "consumerism," Pima County and their Consultant collaborated with Aetna to deliver a more innovative and sustainable benefit strategy.

With a shared understanding of both the short and long term financial goals—Aetna helped to outline a program for implementing a more effective model.

Key to this transition was taking the necessary steps to ensure that Pima's membership experienced very little disruption and had a wide array of Aetna resources available when needed.

With a focus on reducing costs and helping their members become better educated about their health...a successful partnership was born.

Initial strategies and goals:

1

Move the County into a self-funded medical plan arrangement.

2

Transition traditional PPO medical insurance plans into cost saving HSAs.

3

Improve member engagement and outcomes through comprehensive Clinical and Wellness solutions.



Step one: Changes to the health plan model

Moving Pima County to a Self-Insured Arrangement

In July 2013, the Board established the Pima County Health Benefits Trust Board, began a new relationship with Aetna, and made significant changes to its medical program.

Seeking better discounts, the County, on advice from their Consultant, moved into a self-funded consumer driven Aetna plan. This put an immediate stop to the trend of double-digit rate increases that the County was experiencing.

To enable a successful transition, Aetna made a commitment to Pima County by offering **substantial network discounts and competitive fee arrangements.**

Aetna was able to deliver these improvements through its **strong network positioning in Arizona—#1 in Phoenix and #2 in Tucson.**

Strong results

Pima County avoided over **\$44 million** in health costs during just the first three years after making this change.

More impressive—the County has built a net positive trust fund reserve of over **\$21.4 million** as of December, 2015.

Transitioning from a PPO to an HSA

With Aetna taking over from the previous carrier, the decision was made to transition the County's underperforming PPO plan to a new model. Pima County fully embraced a new "consumer directed" program - a high deductible Aetna health insurance plan with a Health Savings Account (HSA).

Aetna has been on the forefront of consumer driven health plans for over a decade—offering Pima County a consultative resource that could **deliver an HSA plan that was suited to their goal of reducing costs without sacrificing quality.**

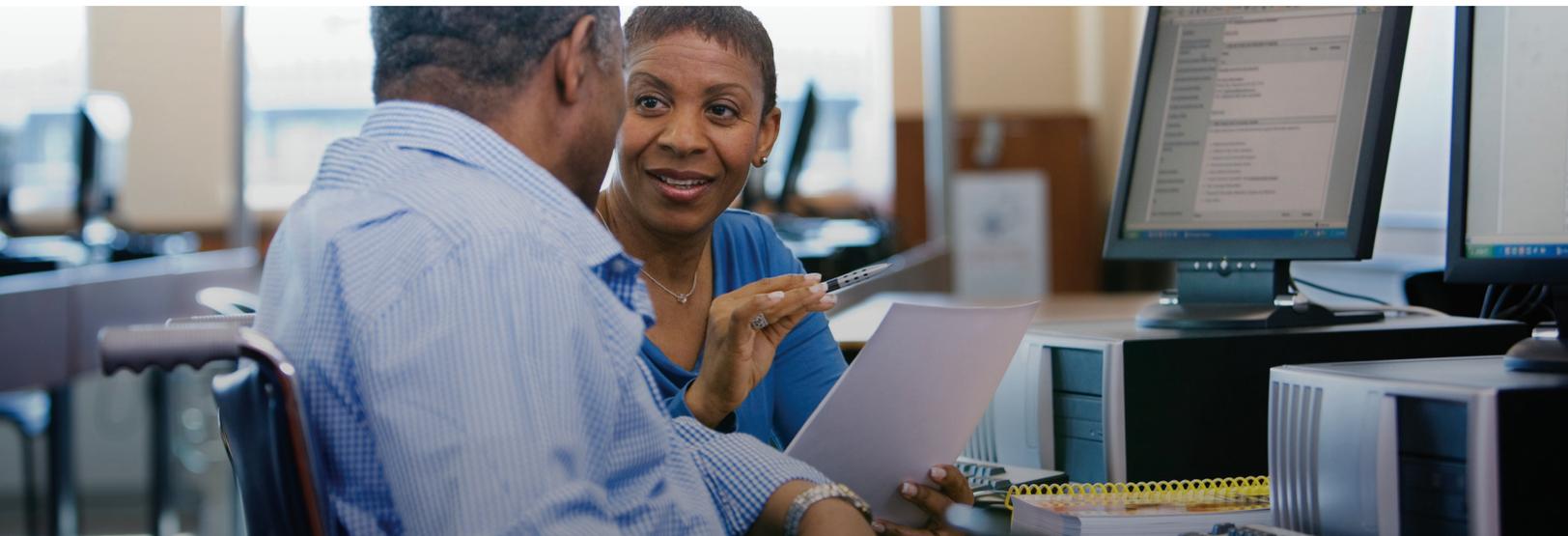
Pima County's new HSA arrangement would deliver compelling cost reductions:

- **Immediate savings** for the County through **drastically reduced claim expenses**
- Even with the County contributing approximately **\$8 million per year** to match employee funding to the HSA, **program savings were significant**
- Savings would enable the County to **reduce the expenditure of stop loss coverage**
- **The County's plan reserves could grow** without having to access additional funds or loans

Why Aetna?

"They've done an amazing job as our third party administrator. They've gone out of their way to make this program work. They weren't just a contractor—they've become a partner. They treated us like a partner and not a client. We've worked together to make our health care benefits a better program."

—Allyn Bulzomi
Director of Human Resources



Step two: Delivering an effective implementation process

Encouraging change through effective communication, incentives and education

Helping Pima County's members understand their new plan was key to the strategy being effective.

To help Pima County drive awareness of the benefits offered under the new plan, Aetna customized a member-friendly communication and education campaign.

- **Employee education** was a focal point of open enrollment meetings
- **Three months of in-person education sessions** were offered—approved time off was granted to encourage participation
- **Customized emails and mailings** were sent to employees

Next, the contribution schedule for HSA enrollees evolved into a more member-friendly arrangement that was accomplished semi-annually vs. per pay period method.

This enabled Pima County members to exert greater control over how they budgeted their contributions and expenses.

Keys to success

Over the course of three years, Aetna successfully transitioned Pima County's population into a more cost effective health plan and increased member education and engagement.

The implementation approach included:

- A **dedicated customer service phone line** which minimized confusion for Pima County members
- An **on-site clinical consultant** for Pima County to bridge the gap between benefits, wellness and member health services
- Skilled customer service representatives trained on the details of the Pima County benefits program who were **well prepared to quickly handle any transition issues**
- A high priority was placed on making sure that **members' concerns were dealt with promptly**, especially when it came to transition of care for serious issues

Implementation and customer service

“Getting a response from our previous carrier was a little bit different. They seemed distant. The response from Aetna has been amazing. I've been involved with a lot of transitions from healthcare carriers—over the last 30 years I've done this a number of times and I've gotta tell you this is probably the smoothest transition I've ever gone through.”

—Allyn Bulzomi
Director of Human Resources



Step three: Deliver comprehensive Clinical and Wellness solutions to improve member health and minimize costs

Taking the next step together—Pima County and Aetna implemented a high-touch health management program with an emphasis on engagement and health improvement for the County’s employees and their families.

Aetna made a commitment to Pima County by offering a **\$100k wellness budget** to ensure a strong start.

Key to the expansion of these programs was the County’s willingness to tie compelling member incentives to the utilization of the solutions offered.

The goal of Pima County’s suite of programs:

Find, engage and help members with acute and chronic conditions to drive better health outcomes. Reduce the County’s overall costs.

How we proposed they get there:

More effective targeting. Engaging members early and offering sustained support that varied to match each individual’s risk status.

Reaching out to those who needed it most, while delivering services that addressed each member’s unique needs.

The result for Pima County:

Programs that lowered overall health care costs. Members that are more engaged and focused on their health and well-being.

Assisting Pima County and its members

Aetna funded an onsite Clinical Consultant to help Pima County leadership with wellness needs, including:

- Providing a member-facing Registered Nurse
- Offering improved tracking of member engagement and outcomes statistics
- Consulting for future clinical program improvements

Wellness information and strategies

“The quarterly reporting helps guide the direction of our wellness program and we have created new programs around those recommendations ...we can customize the reports to what we want to see. They show the overlap between wellness, medical and pharmacy... and it’s good to get that big picture. The Aetna information is more detailed than what we had before.”

–Jennifer Billa, BS, IBCLC,
Employee Wellness Program Manager

Disease Management

Increased participation in disease management programs has led to positive program results including a reduction in Per Member Per Month (PMPM) costs year over year for these high prevalence conditions*:

Diabetes: **↓ 25.4%**

Hyperlipidemia: **↓ 23.3%**

Osteoarthritis: **↓ 11.7%**

Weight Management: **↓ 20.9%**

*Source: Aetna program reporting 2013–2015

Biometric Screenings

Beginning in 2013 when an increased focus was placed on Biometric screenings, and testing became available at 19 worksite locations—employee participation has increased to almost 50%!

*Source: Aetna program reporting 2013–2015

Conclusion

Lessons learned

The Pima County leadership team and their Consultant worked collaboratively with Aetna in exploring new options for improving their health care plan. Taking their business out to bid provided the opportunity to see how a company like Aetna could improve their member experience and further reduce costs for the County.

The willingness to implement a self-funded program and a new HSA plan was bold—ultimately saving the County millions of dollars.

Findings

In 2013, Pima County faced an escalating employee benefits budget which threatened to adversely impact other county services. In order to address the effect of alarming medical trends and rate increases on its programs, the County determined that bold changes were required. Teaming up with Aetna, the County proactively addressed the issues. The results:

- 1 Significant benefit program savings.
- 2 An engaged and well-informed member population.
- 3 Improved health status and increased participation in Wellness programs.

How we can help other plan sponsors

Faced with high plan costs and rising medical trends, Pima County's leadership found the right partner to build a better performing plan. When a carrier like Aetna and an engaged plan sponsor work together, the cost savings can be substantial.

The results were strong, but by no means coincidental. Every day the Aetna team helps plan sponsors across the country develop successful programs based on client-specific goals.

With a dedicated Public and Labor team that serves over 480 similar plan sponsors, we have the experience to deliver better performing benefit solutions for your organization.

Contact us today to see how your plan can be the next successful Aetna case study.

This material is for information only. Health insurance plans contain exclusions and limitations. Providers are independent contractors and are not agents of Aetna. Provider participation may change without notice. Aetna does not provide care or guarantee access to health services. Investment services are independently offered through JPMorgan Institutional Investors, Inc., a subsidiary of JPMorgan Chase Bank. Health information programs provide general health information and are not a substitute for diagnosis or treatment by a physician or other health care professional. Information is believed to be accurate as of the production date; however, it is subject to change. For more information about Aetna plans, refer to www.aetna.com.

Policy forms issued in Idaho by Aetna Life Insurance Company: GR-9/GR-9, GR-23, GR-29/GR-29N, AL HCOC 03, AL HGrpPol02.

Policy forms issued in Oklahoma include: GR-23, GR-29/GR-29N.