



# Benefit Plans CY 2017

November 1, 2016



# Benefit Philosophy

- Offer a benefit package which is comparable and competitive with local, similarly-sized cities and towns.
- Encourage retention of employees
- Attract new hires
- Predictably forecast for benefits costs
- Be good fiscal stewards of public funds



# Review Health Plan Options

1. Should we continue to pursue our own individual plans or consider a Trust option?
2. Is it likely that our high MCR trend will continue?
3. Can we stabilize our rates or minimize fluctuation?

# Medical Plan Comparisons

Provider	Term	Rate Change
Cigna	1 year rate	18.4 and 15% increase
AZ Metropolitan BC/BS	6 month rate	10.5% increase (plan design change)
APEHP BC/BS	6 month rate	4.24% increase (plan design change)



# Medical Plan Option – Cigna

- Remain fully insured
- Cigna rate increase was high, even with the introduction of plan design changes.
- Stay the course – absorb the increase



# Medical Plan Option – Join a Trust

- Multiple entities, operate per ARS 11-952.01
- Simple terms – Operate your own insurance company
- Why?
  - Reduces operating expenses
  - Improves cash flow
  - Reduces fluctuations from insurance cycles (save \$ in good years to help offset increased costs in bad years)
  - Increased benefit flexibility
  - Increased employer control



# How are Benefits/Rates Determined?

- Benefits are determined by Board of Trustees in consultation with Pool Administrator, TPA, Legal Counsel, etc.
- Projected claim \$ needed to pay for adopted benefit structure determined by actuary annually
- Claim \$ combined with fixed vendor costs = premium
- Benefits and rates adopted annually by the Trust Board in early February for July 01 effective date



# Cost Comparison

Employee Benefits	Cigna	AZ Metro Trust
Medical	\$2,437,390	\$2,348,793
Dental	200,555	211,417
Life / AD&D	13,096	11,816
EAP	8,370	4,452
HSA Fees	-0-	6,000
1x admin fee		5,000
	\$2,659,411	\$2,587,478





# Medical Plan Design – No Change

## Continue to offer 2 options:

- A. High Deductible Plan (HDHP) – the City covers the premium for employee and dependents
- B. Preferred Provider Option (PPO) – the City shares the cost of the premium with the employee and dependents



# Deductible Challenge – Trust Plans

- Transition from a calendar year deductible to a fiscal year deductible.
- Employees would incur expenses toward 1/2 of an annual deductible between Jan – Jun 30.
- July 1, a new one-year deductible would begin.



# Health Savings Account Fund

- Assist employees with the 18-month deductible transition.
- 18-month deductible = \$7,800 / family
- Propose providing a lump sum in January 2017
- \$750 per employee/ one time



# Dental Plan Comparisons

- Cigna 10% increase\*
- AZ Met Trust 15.96% increase  
(Delta Dental)



# Employee Assistance Plans

- Cigna – 1-12 visits per year = Public Safety requirement for PTSD incidents.
- Includes managerial training and CISM
- Cost: \$8,370
- Alliance Wellness Partners - the Trust's plan offers 12 visits which will satisfy our Public Safety obligation.
- Cost: \$4,452



# Life Insurance

- Cigna Decrease 16.67%
- AZMet Trust Decrease 28.33%  
(Securian MN Life)

# Health Savings Accounts

- **HSA Bank** **\$4.00/per month/per employee (\$11,464)**
- **Health Equity** **\$2.50 per month /per employee(\$6,000)**



# Discussion

- Questions?

