

MEDICAL INSURANCE RENEWAL &
COMPENSATION UPDATE
FY2014-2015

Agenda

- Background
- Employee Feedback
- Medical Plan Renewal/Proposed Plan Designs
- Employee Impact
- Benchmark Data
- Wellness Clinic
- Compensation

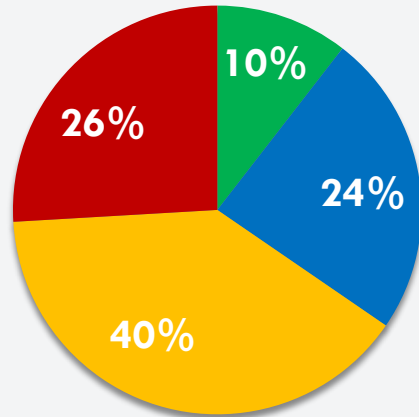
Activity Leading to Proposal

- Worked closely with Cigna through plan year
- Contracted with a new Broker/Consultant
- Council Work Session on Medical Insurance
- Conducted Employee Benefits Survey
- Re-commissioned newly formed Insurance Committee
 - ▣ Prep for high level of engagement
- Conducted Employee Open House Sessions

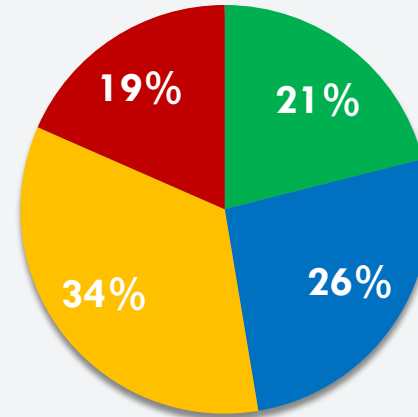
Employee Feedback Survey

Respondent Satisfaction Level

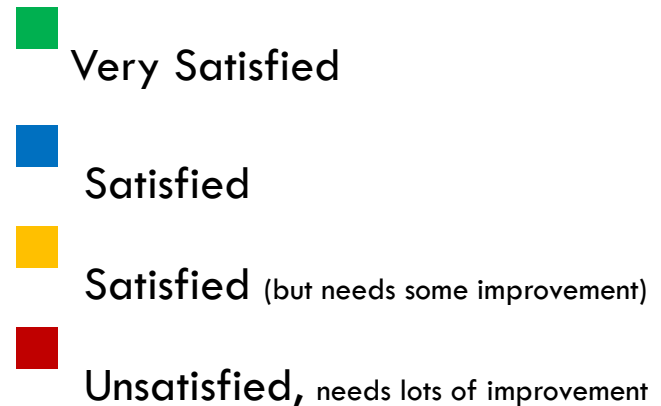
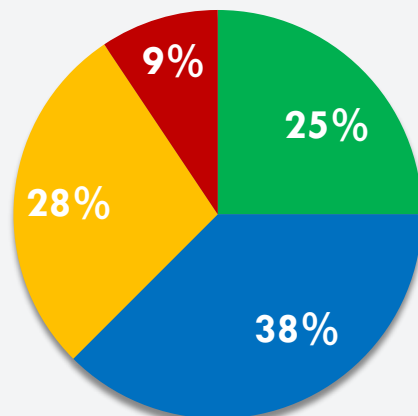
CMG PLAN



H.S.A. 2400/4800

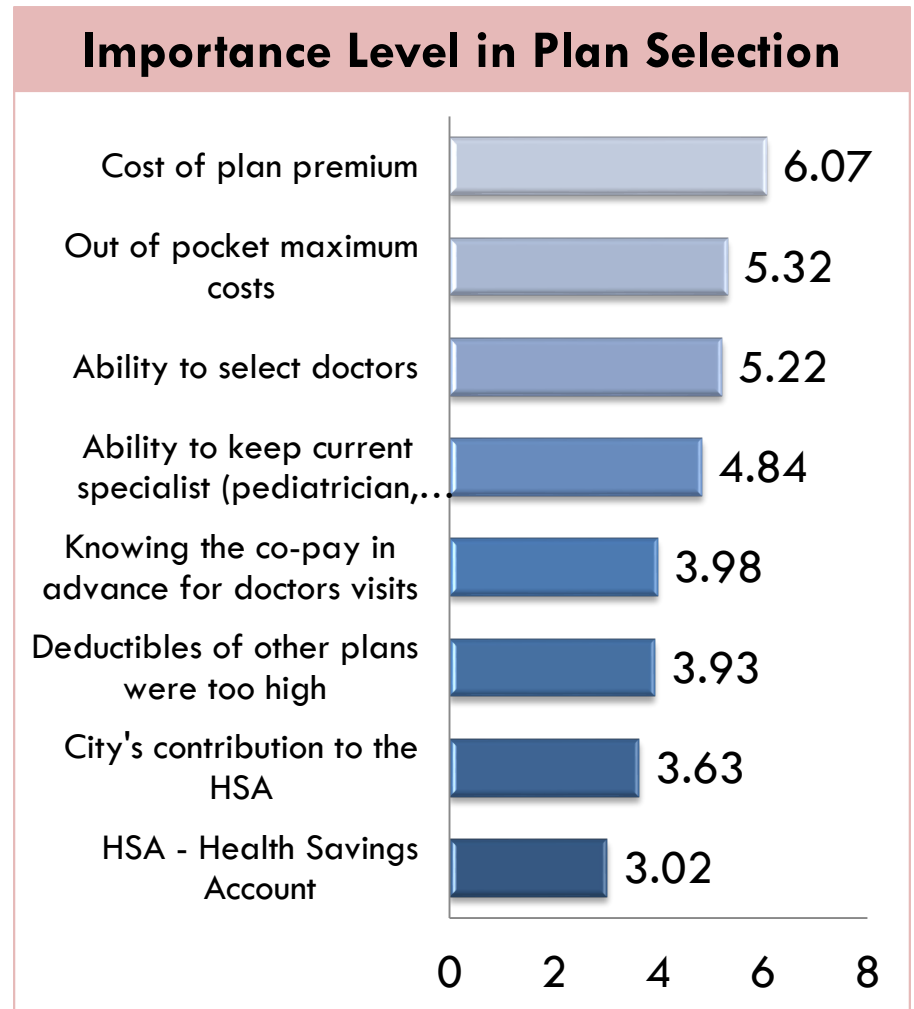


H.S.A. 1250/2500



Employee Feedback Survey

- Top three areas of importance in Plan Selection



MEDICAL INSURANCE RENEWAL OVERVIEW



Current Plan

Medical

➤ HMO

- \$750 / \$1500 Deductible
 - Hospital/Radiology/Diagnostic Labs
- \$20 PCP/ \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay

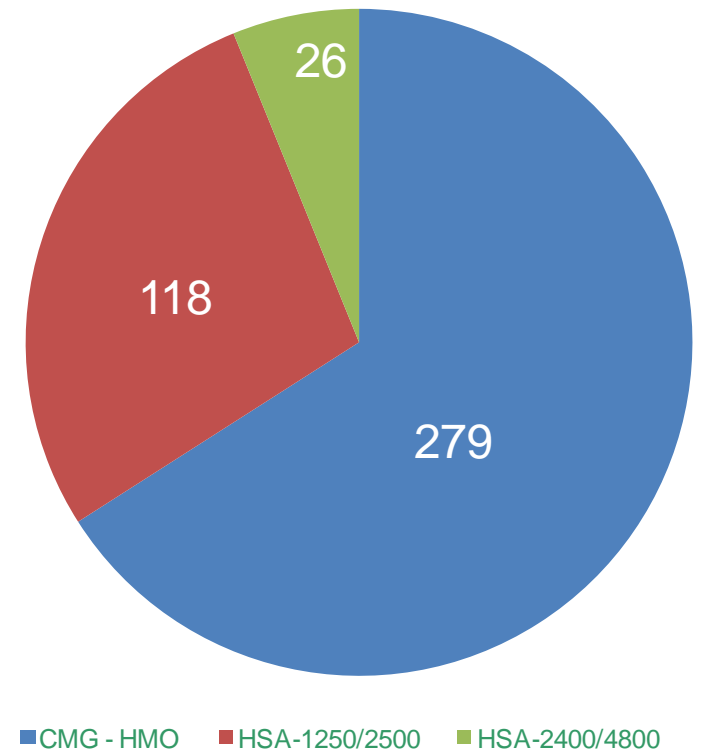
➤ H.S.A.

- \$1,250 / \$2500 Deductible
- \$300 / \$900 HSA Account
- 90% Coinsurance After Deductible
- \$1,750 / \$3500 Out of Pocket Maximum

➤ H.S.A.

- \$2,400 / \$4800 Deductible
- \$600 / \$1800 HSA Account
- 90% Coinsurance After Deductible
- \$2,900 / \$5800 Out of Pocket Maximum

Employee Plan Participants



Renewal Overview

- ❑ Based on Loss Ratio of 96.18% (Cigna's target is 83%)
- ❑ Target renewal increase 16.91%
- ❑ Status Quo Renewal increase 11.32%
- ❑ Large claim report:
 - ▣ One claimant at \$383k with a medium likelihood of exceeding \$100k next fiscal year
 - ▣ One claimant at \$202 with a high likelihood of exceeding \$100k next year
- ❑ \$50,000 wellness fund is included

Proposed Plan Options

□ Option 1 (Status Quo)

➤ HMO

- \$750 / \$1500 Deductible
 - Hospital/Radiology/Diagnostic Labs
- \$20 PCP/ \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay

➤ H.S.A.

- \$1250 / \$2500 Deductible
- \$300 / \$900 HSA Account
- 10% Coinsurance After Deductible
- \$1,750 / \$3500 Out of Pocket Maximum

➤ H.S.A.

- \$2400 / \$4800 Deductible
- \$600 / \$1800 HSA Account
- 10% Coinsurance After Deductible
- \$2900 / \$5800 Out of Pocket Maximum

Total Increase 11.32%

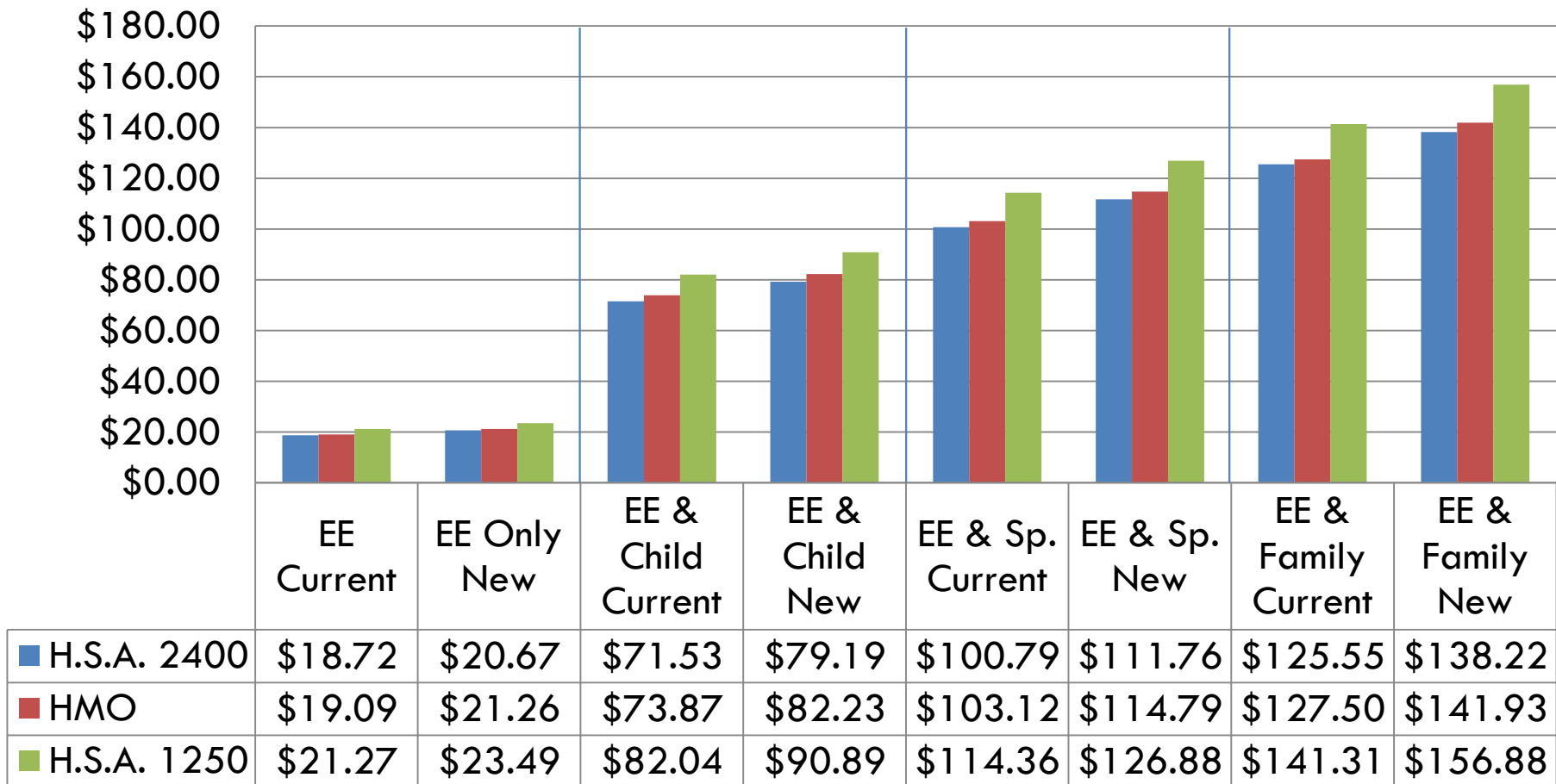
Total plan increase - \$733,701

Cities cost increase - \$610,790

Total EE cost increase - \$113,729

Option 1 - Proposed Plan Premiums

EE Premium Per Pay Period Comparison



Proposed Plan Options

❑ Option 2

➤ IPA

- \$800 / \$1600 Deductible
 - Hospital/Radiology/Diagnostic Labs
- \$25 PCP/ \$40 SP Copay
- \$50 Urgent Care / \$200 ER Copay

➤ HMO

- \$750 / \$1500 Deductible
 - Hospital/Radiology/Diagnostic Labs
- \$20 PCP/ \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay

➤ H.S.A.

- \$1500 / \$3000 Deductible
- \$500 / \$1000 HSA Account
- 10% Coinsurance After Deductible
- \$2,000 / \$4000 Out of Pocket Maximum

15.87% Increase

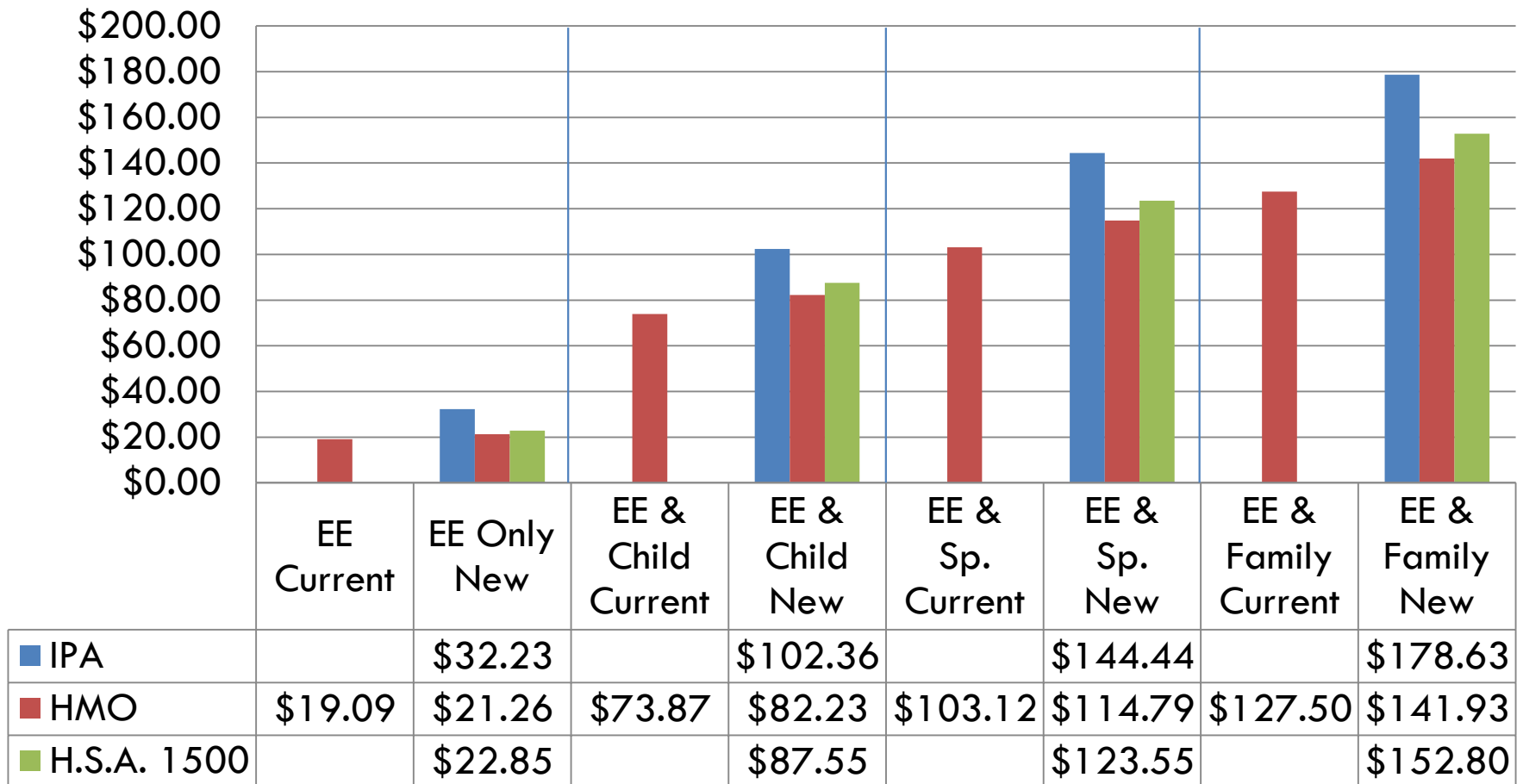
Total plan increase - \$1,028,811

City's cost increase - \$781,546

Total EE cost increase - \$238,059

Option 2 - Proposed Plan Premiums

EE Premium Per Pay Period Comparison



Proposed Plan Options

Option 1 (Status Quo)

➤ HMO

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- \$1500 / \$3000 Deductible
- \$500 / \$1000 HSA Account
- 90% Coinsurance After Deductible
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Results of Insurance Committee Feedback

Department	Option #1	Option #2	Opt. Out
City Clerk	3	1	2
City Manager's Office	13	1	1
Development Services	10	2	
Engineering	7	1	
Finance	10	5	
Fire (Non-Sworn)	1	1	1
Fire (Sworn)	6	4	1
Human Resources	8	2	
ITS	10	3	
Legal	5	1	2
Courts	6	1	1
Parks & Recreation	44	3	
Police (Sworn)	30	16	4
Police (Non-Sworn)	14	14	6
Public Works	28		
Total	195	55	18
Percentage	72.76%	20.52%	6.72%

BENCHMARK DATA



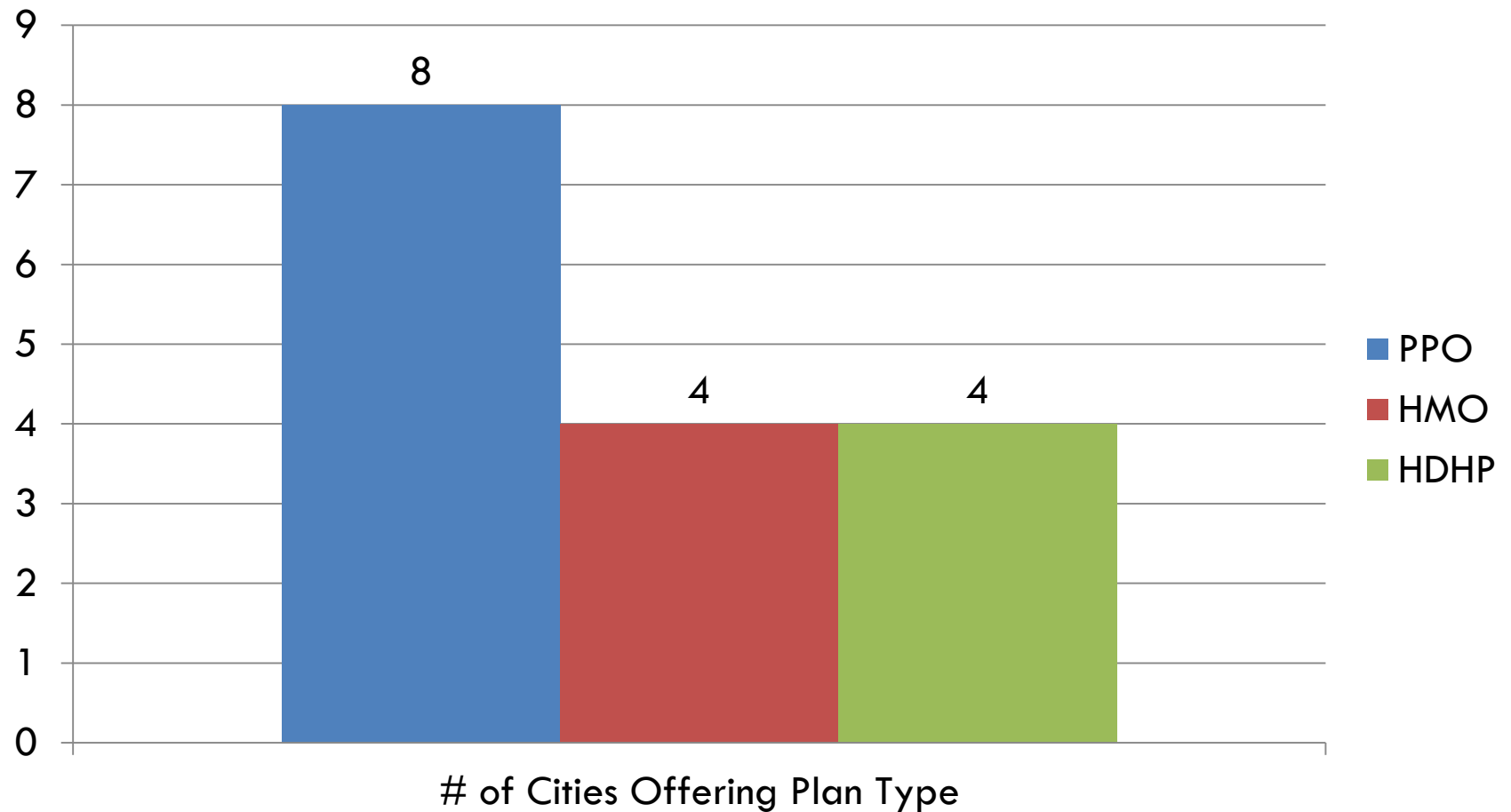
Premium Comparison

EE Monthly Contribution Lowest Price Plan



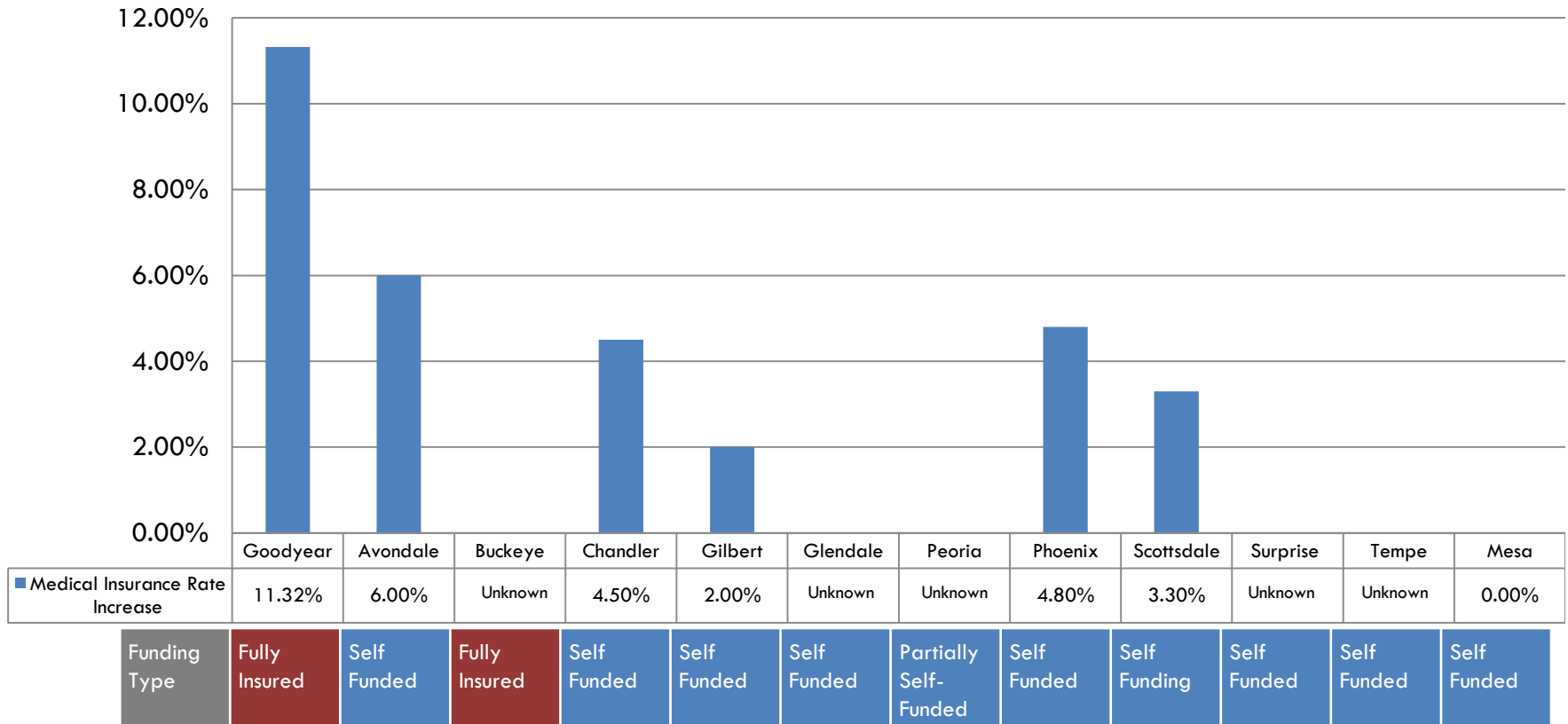
	Goodyear	Average	Avondale	Buckeye	Chandler	Gilbert	Glendale	Peoria	Phoenix	Scottsdale	Surprise	Tempe
Employee	\$40.57	\$47.96	\$20.60	\$60.00	\$123.22	\$89.98	\$34.80	\$0.00	\$77.78	\$38.00	\$55.81	\$43.33
EE/Sp or +1	\$218.37	\$169.59			\$205.76		\$116.84	\$144.86		\$150.00	\$203.97	\$147.33
EE/Child(ren)	\$154.98	\$152.89			\$182.34					\$117.00	\$203.97	\$106.17
Fmly/EE+2 or more	\$269.86	\$250.52	\$79.72	\$231.36	\$299.42	\$255.50	\$163.25	\$217.28	\$246.94	\$241.00	\$326.69	\$236.17

Plan Types Offered



Medical Insurance Increase

Comparison of Medical Insurance Increase



COMPENSATION

Market Data

Council's Interests



- ❑ A structure that would move non-sworn employees closer to market
- ❑ Eliminate steps
- ❑ Flexible
- ❑ Explainable and Defendable
- ❑ Legal

Proposed Salary Increase

- Fire and PD Sworn Employees
 - ▣ Per MOU 5.0% Increase (1 step)
 - ▣ Employees at maximum salary range 5.0% lump sum payment

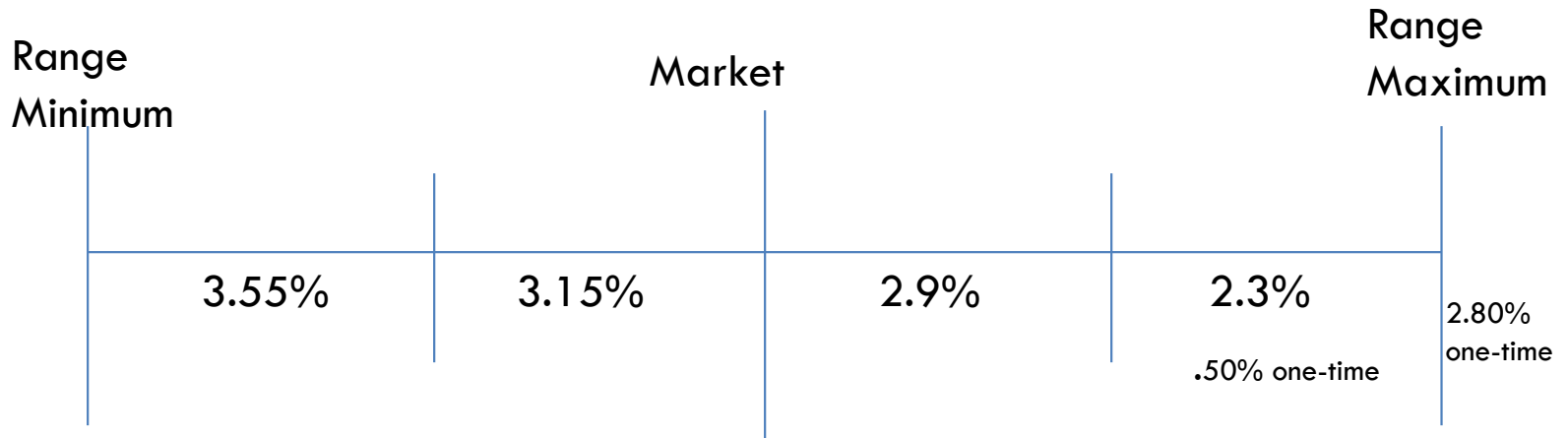
Proposed Salary Increase

Exempt & Non-exempt Non-Sworn Employees

Range Minimum	Market				Range Maximum
	1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile	
	3.55%	3.15%	2.9%	2.3%	
				.50% one-time	Above max 2.80% one- time

Proposed Average Increase of 3.0%

Quartile Movement



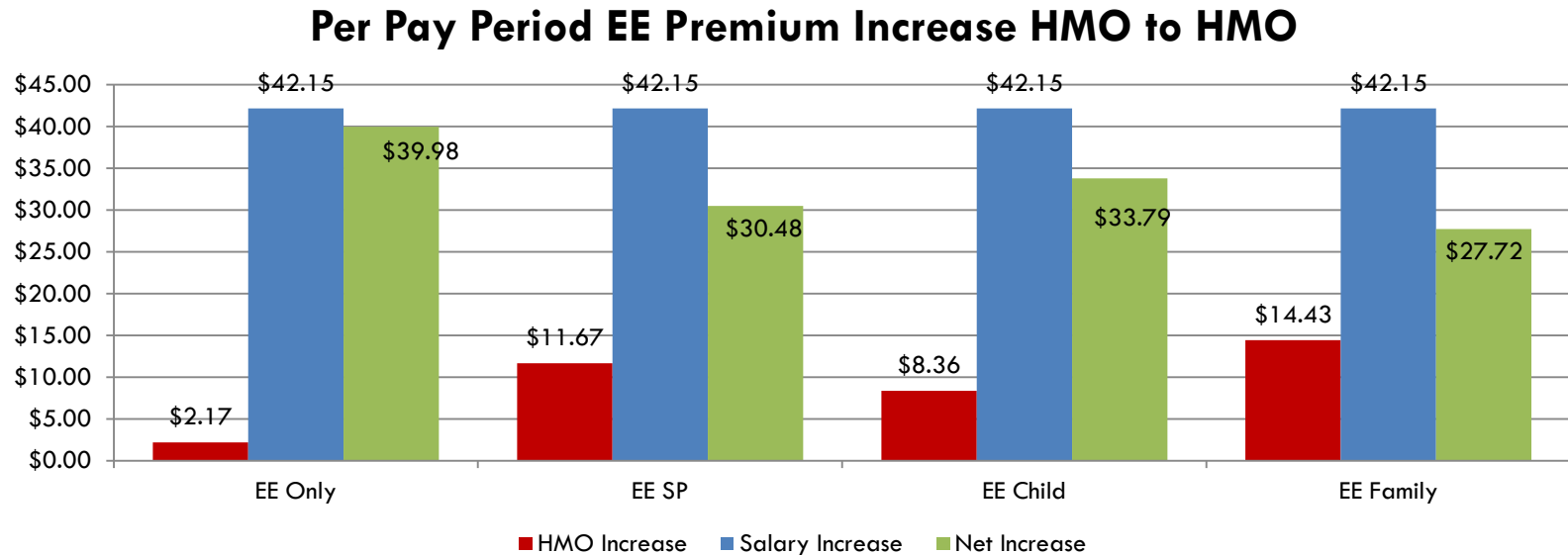
	1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile	Max
As of 2/4/14	156	68	48	22	16
Projected 7/1/14	114	98	52	26	20

Based on a Proposed Average Increase of 3.0%

IMPACT TO EMPLOYEES

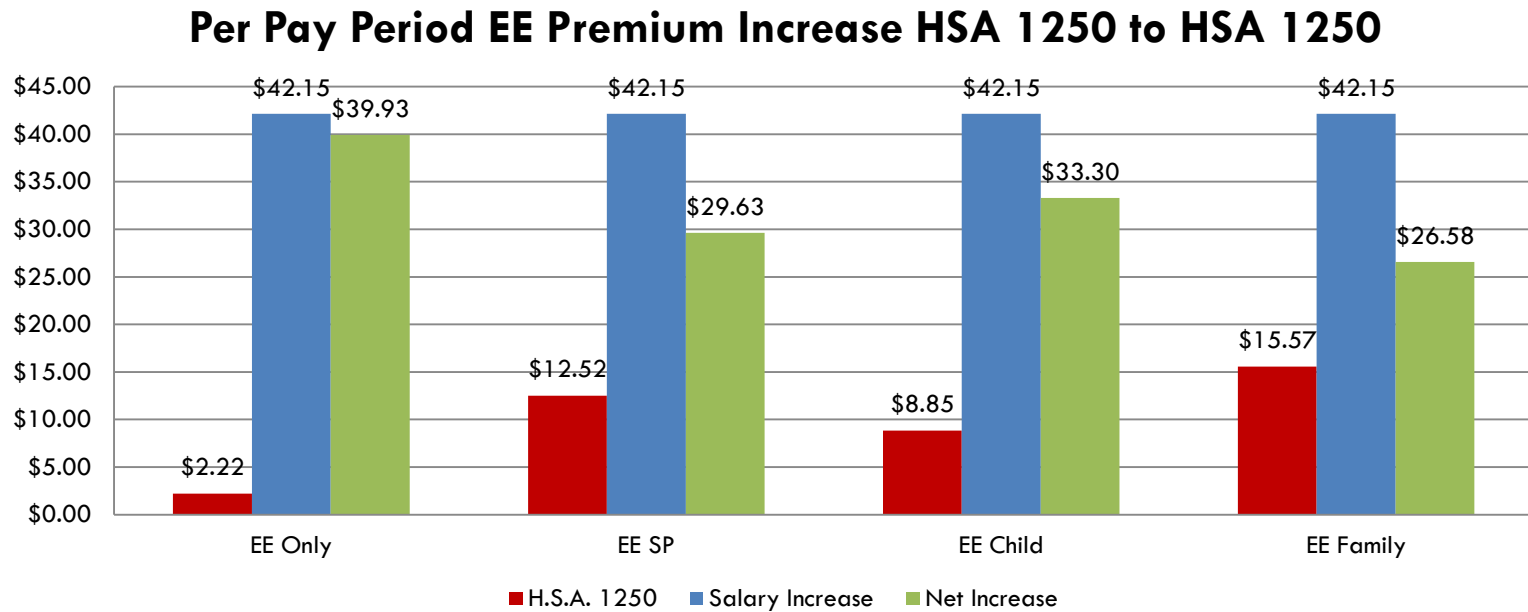
Net Salary Increase Analysis

Option 1 – EE Financial Impact



*Does not include increase in employee contribution rates for:
ASRS of 0.06% and PSPRS 0.70%*

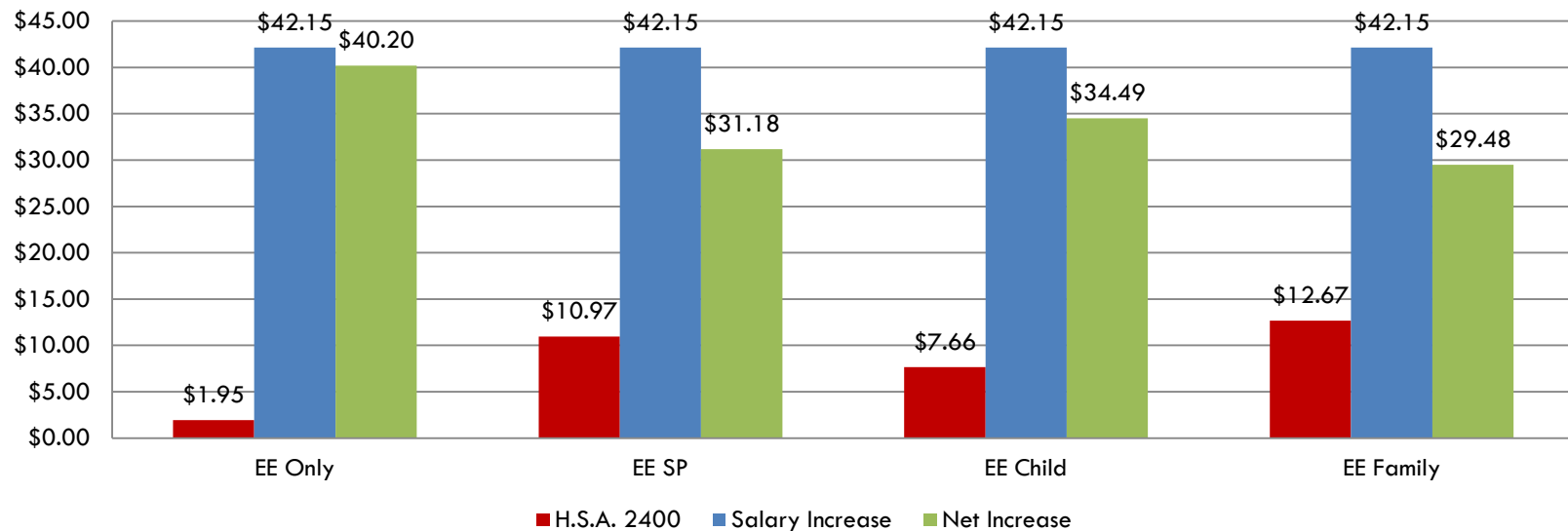
Option 1 – EE Financial Impact



*Does not include increase in employee contribution rates for:
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Option 1 – EE Financial Impact

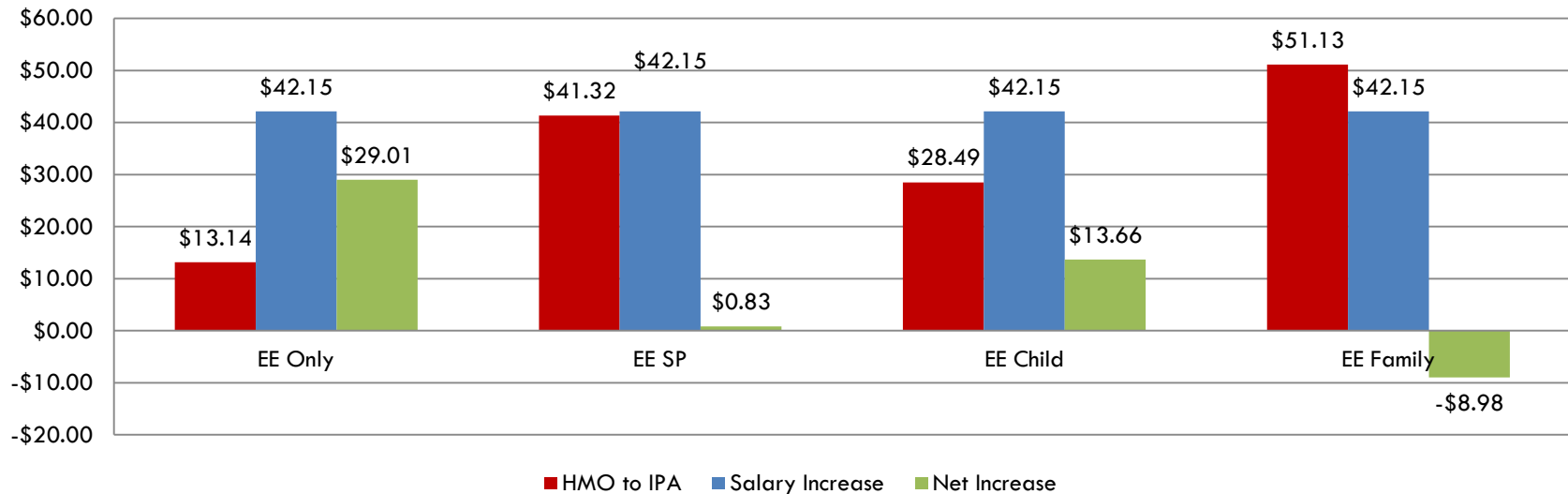
Per Pay Period EE Premium Increase HSA 2400 to HSA 2400



*Does not include increase in employee contribution rates for:
ASRS of 0.06% and PSPRS 0.70%*

Option 2 – EE Financial Impact

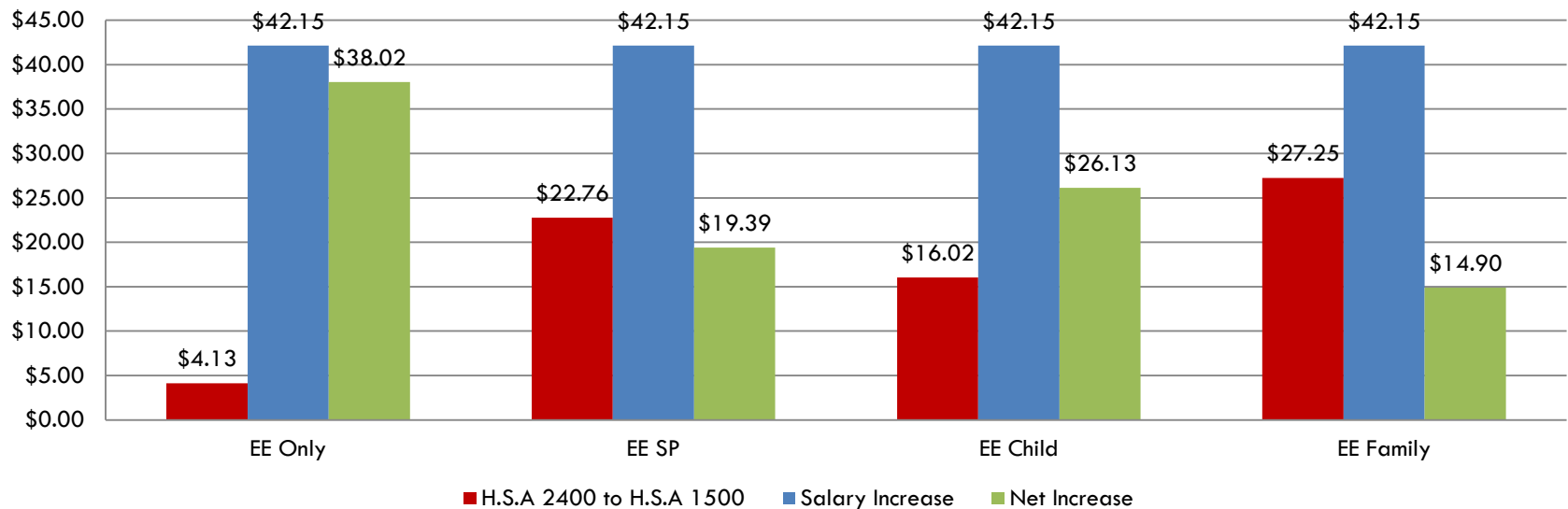
Per Pay Period EE Premium Increase HMO to IPA



*Does not include increase in employee contribution rates for:
ASRS of 0.06% and PSPRS 0.70%*

Option 2 – EE Financial Impact

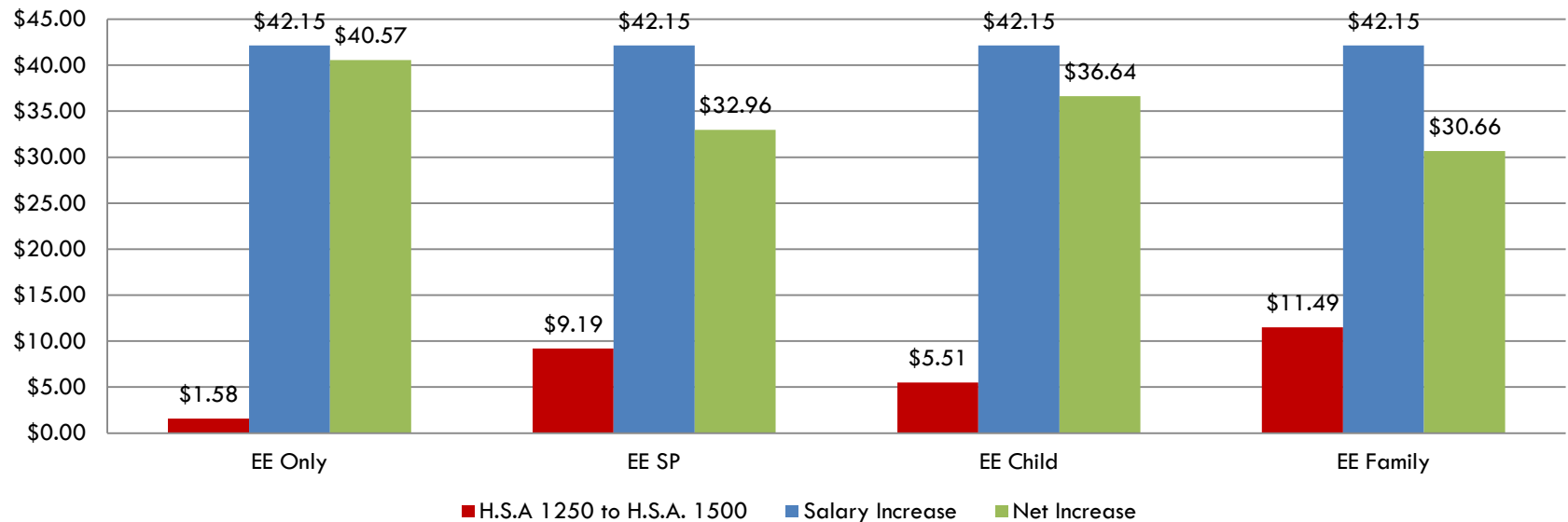
Per Pay Period EE Premium Increase HSA 2400 to HSA 1500



*Does not include increase in employee contribution rates for:
ASRS of 0.06% and PSPRS 0.70%*

Option 2 – EE Financial Impact

Per Pay Period EE Premium Increase HSA 1250 to HSA 1500



*Does not include increase in employee contribution rates for:
ASRS of 0.06% and PSPRS 0.70%*

Proposal Summary

- Recommendation

- ▣ Option 1 – Insurance Plan Design

- ▣ Overall 3.0% average increase for non-represented employees

Questions ?



Questions?