

BENEFITS RECOMMENDATIONS

FY2017-2018



Agenda



- Activity Leading to Insurance Renewal
- Medical Plan Renewal
- Dental Plan Renewal
- Vision Plan Renewal

Activity Leading to Proposal



- **Cost containment efforts:**
 - Proposed moving to a self-funding medical and dental insurance plan
 - Completed rollout of tele-medicine
 - Continuation of 50% Dividend Eligible Plan
 - Completed negotiations of renewal rates with:
 - Cigna – Medical and Dental
 - Avesis – 1.0% decrease

MEDICAL INSURANCE RENEWAL OVERVIEW



Current Plan Overview



Medical

➤ HMO

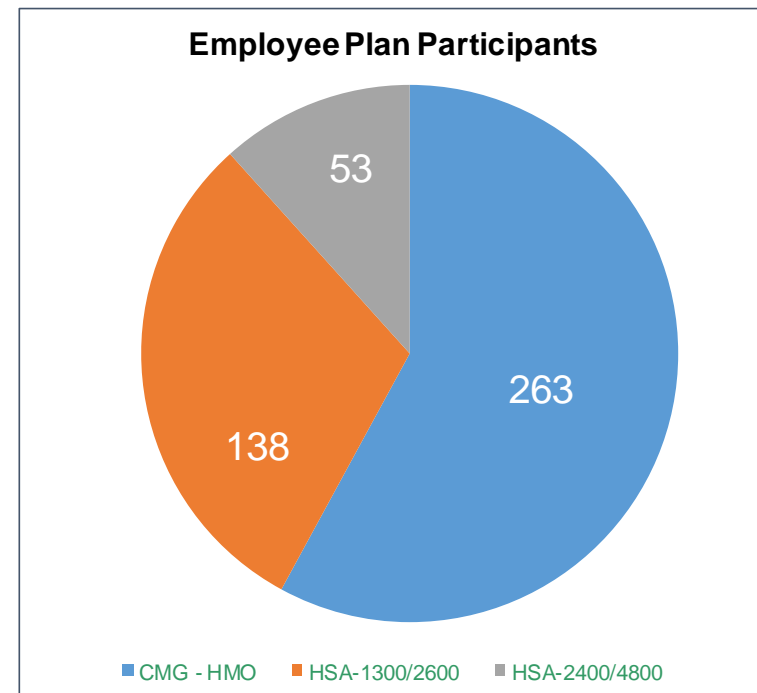
- \$750 / \$1500 Deductible
- \$20 PCP/ \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay
- \$1,250/\$2,500 Out of Pocket Maximum

➤ H.S.A.

- \$1,300 / \$2600 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



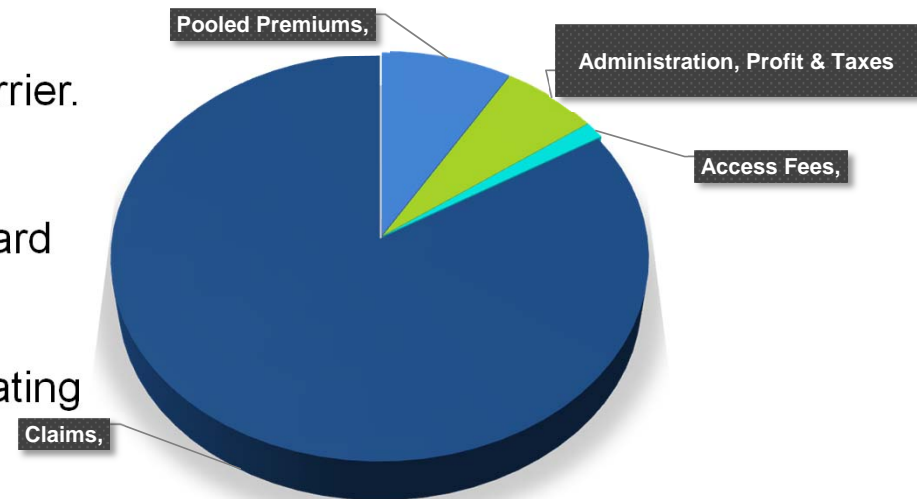
Fully Insured



OVERVIEW

- Premiums include claims dollars, administrative costs, premium taxes, access fees, risk charge and profit margin.
- All components are owned and managed by the carrier. (Prescription/Case Management/Network etc...)
- Premium dollars are paid to the insurer without regard to whether claims are incurred or payable.
- Premium dollars are invested by the insurer, generating interest, until required for claims payment.
- Unspent dollars belong to the carrier.

Fixed Monthly Premiums



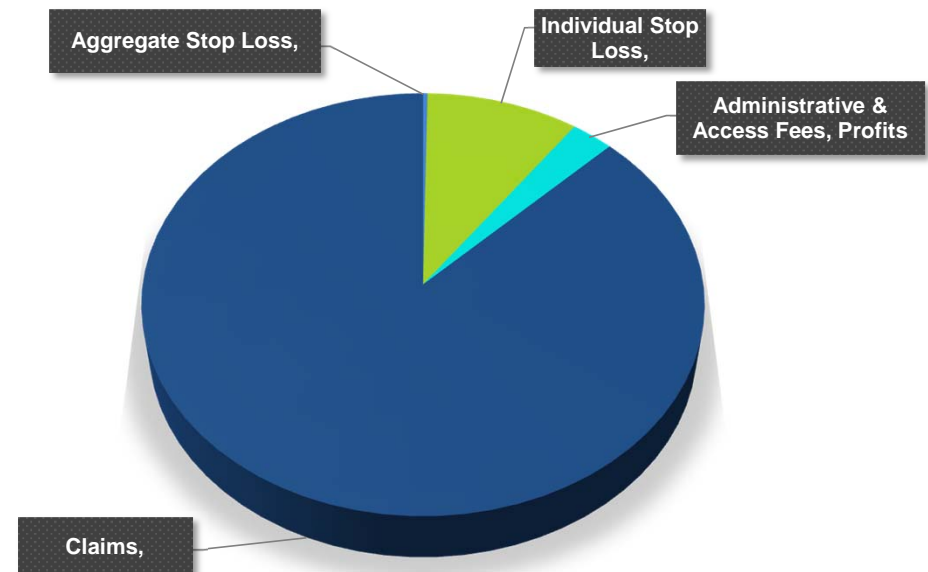
Self Insured



OVERVIEW

- Premiums are unbundled.
- Components can be selected based on their efficiency
- Small premium amount (fixed cost)
- Greater cash flow that can be invested by the employer
- Stop loss caps our risk (not writing a blank check)
- 100% of unspent dollars belong to the employer.

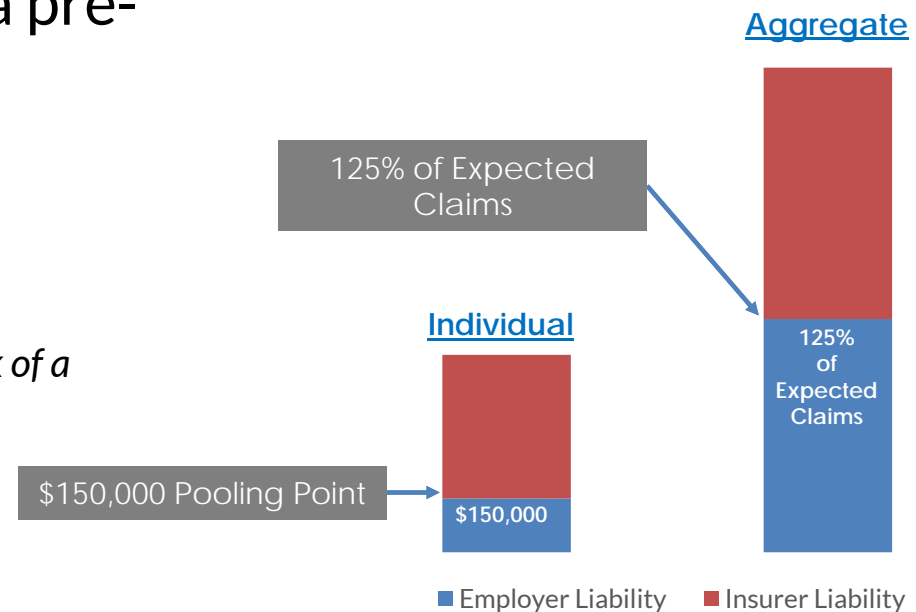
Fixed Costs for Reinsurance, Admin & Access Fees, Variable Costs for Claims



Stop Loss Coverage



- Stop Loss limits our liability to a pre-determined amount:
 - Per covered individual
 - Per plan year
- We select a “Pooling Point” (*think of a pooling point like a deductible for individual claims*)



Goals of Self-Funding



- Make long-term costs sustainable
- Get the greatest direct benefit from our cost containment efforts
- Provide greater flexibility in plan design
- Maintain the quality of healthcare benefit offerings
- Save money

Renewal Overview



Fully Insured

- Based on Loss Ratio of 78.0%
- Large claims
 - 4 claims over \$150,000 (\$722,424 total)
- Status Quo Renewal increase 0.0%
- Level Funding Option
- \$50,000 wellness fund is included

Rate pass

Medical premium costs:
\$8,140,018

Based on current enrollment and plan
distribution of 454 employees

Renewal Overview



Self Insured

- Based on Loss Ratio of 78.0%
- Large claims
 - 1 claim over \$250,000
- \$50,000 wellness fund is included
- PEPM – HMO - \$33.31
- PEPM – HDHP - \$40.80

PEPM - Per Member Per Month

Fixed costs:

Admin Fees -	\$ 215,024
Individual Stop Loss -	\$ 346,275
Aggregate Stop Loss -	<u>\$ 46,907</u>
	\$608,206

Variable costs:

Expected Claims -	<u>\$6,620,623</u>
Total Expected Costs -	\$7,228,829

Based on:

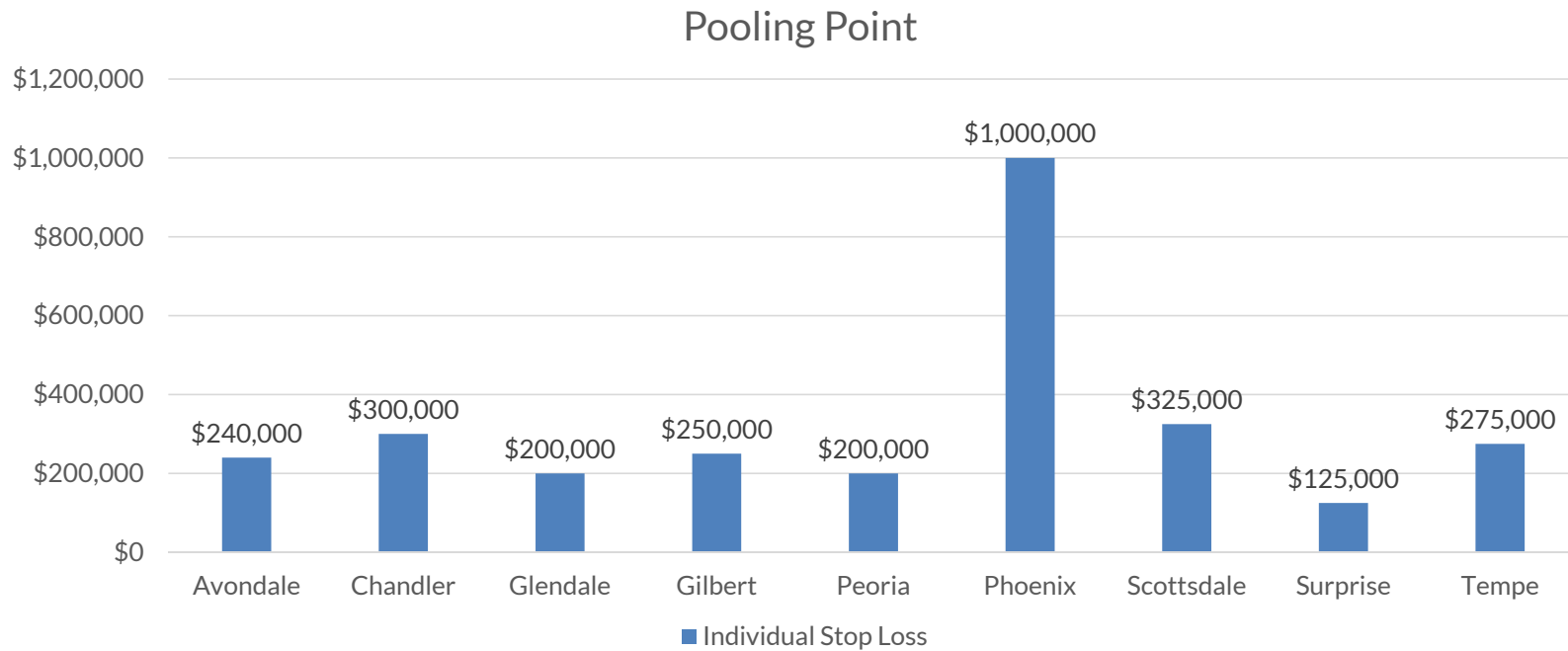
\$250,000 pooling point

Current participation and plan distribution

Stop Loss Comparison



INDIVIDUAL STOP LOSS



Self Insured Options



BASED ON WORSE CASE SCENARIO

Pooling Point	\$150,000	\$200,000	\$250,000
Admin Fees	\$215,024	\$215,024	\$215,024
Stop Loss Coverage	<u>\$644,280</u>	<u>\$490,211</u>	<u>\$393,182</u>
Total Fixed Costs	\$859,304	\$705,235	\$608,206
Claims Worst Case	<u>\$8,039,688</u>	<u>\$8,039,688</u>	<u>\$8,039,688</u>
Total Costs	<u>\$8,898,992</u>	<u>\$8,744,923</u>	<u>\$8,647,894</u>

Self Insured Options



BASED ON EXPECTED CASE SCENARIO

Pooling Point	\$150,000	\$200,000	\$250,000
Admin Fees	\$215,024	\$215,024	\$215,024
Stop Loss Coverage	<u>\$644,280</u>	<u>\$490,211</u>	<u>\$393,182</u>
Total Fixed Costs	\$859,304	\$705,235	\$608,206
Expected Claims	<u>\$6,431,750</u>	<u>\$6,570,623</u>	<u>\$6,620,623</u>
Total Costs	<u>\$7,291,054</u>	<u>\$7,275,858</u>	<u>\$7,228,829</u>

Insurance Model Comparison



Fully-Insured -vs- Self-Insured

	Fully-Insured	Self-Insured
Risks	In a fully insured plan, the employer pays a per-employee premium to an insurance company, and the insurance company assumes the risk of providing health coverage for insured events.	In a self-insured plan, the employer uses the money that it would have paid the insurance company and instead directly pays health care claims to providers. In self-insured plans the employer bears the risk associated with offering health benefits. Risk are limited by purchasing reinsurance (stop loss coverage).
Costs	Fixed premium adjusted annually	Fixed and variable costs with a cap
Flexibility	Limited flexibility largely driven by carrier and state insurance commissions	Greatest level of flexibility, not subject to state coverage mandates
Rewards	Currently we have a 50% dividend eligible option where we can keep up to 50% of surplus after expenses	100% of surplus is retained by the city. We receive a direct benefit from our wellness efforts and cost containment strategies.
Taxes	Subject to state premium taxes (approx. 2.0%)	Not subject to state premium taxes
Bundling	Services are bundled under the carrier	Services can be unbundled allowing components to be bid for services, i.e., claims administration

Impact to Stakeholders



SELF FUNDING

Goodyear Citizens

- Transition is expected to be budget neutral
- Helps address the rising costs of healthcare on a long-term basis
- On a long-term basis helps minimize cost fluctuations from year to year
- Allows city to maintain surplus that would otherwise be profits for insurers

Goodyear Employees

- Seamless transition, no impact to employees
- Increases our opportunity to maintain quality benefits over the long-term
- Provides an opportunity to reduce the cost of benefits over the long-term
- Transition to self-funding will not change benefit plan design
- Engagement in wellness activities will more directly impact individual healthcare costs

Goodyear Leadership

- Transition is expected to be budget neutral
- Will now get direct benefit for wellness and other cost containment efforts
- Increased involvement in management of the healthcare plan
- Increases our long-term opportunity to maintain a competitive position with our healthcare benefit offerings
- Increased but limited risks are assumed

Next Steps



SELF INSURED PLAN

- The City adopts an employee benefit plan pursuant to ERISA and A.R.S. §11-981.
- The City adopts an ordinance establishing a trust fund and appoints a trust board.
- The trust fund is used to pay employee medical expenses allowable under the plan.
- Employer and employee contribute to the fund, just like paying premiums to an insurance company.
- Payments are made from the fund for medical expenses payable under the plan.

Employee Premium Rates



26 VERSUS 24 PAY PERIOD DEDUCTIONS

CMG – HMO Plan			
	26 - Pay Periods	24 - Pay Periods	Difference
Employee Only	\$23.91	\$25.90	\$1.99
Employee and Spouse	\$129.17	\$139.93	\$10.76
Employee and Child	\$92.52	\$100.23	\$7.71
Employee Family	\$159.71	\$173.02	\$13.31

2400 HSA Plan			
	26 - Pay Periods	24 - Pay Periods	Difference
Employee Only	\$20.79	\$22.52	\$1.73
Employee and Spouse	\$111.79	\$121.11	\$9.32
Employee and Child	\$79.37	\$85.98	\$6.61
Employee Family	\$138.13	\$149.64	\$11.51

1300 HSA Plan			
	26 - Pay Periods	24 - Pay Periods	Difference
Employee Only	\$23.54	\$25.50	\$1.96
Employee and Spouse	\$126.48	\$137.02	\$10.54
Employee and Child	\$90.75	\$98.31	\$7.96
Employee Family	\$156.25	\$169.27	\$13.02

Propose deducting premiums over 24 pay periods versus 26. This provides:

- Efficiency gains in reconciliation

Employee Premium Rates



26 VERSUS 24 PAY PERIOD DEDUCTIONS

Combined Employee Premiums HMO + Dental+ Vision			
	26 Pay periods	24 Pay periods	Difference
Employee Only	\$27.49	\$29.78	\$2.29
Employee & Spouse	\$145.65	\$157.79	\$12.14
Employee & Child	\$112.86	\$122.27	\$9.41
Employee & Family	\$187.31	\$202.92	\$15.61

Medical Insurance



RECOMMENDATION

- Self Insured plan
- \$250,000 Pooling point
- Maintain current premium rates
- Move deductions to 24 pay periods from 26 per year

DENTAL INSURANCE

Dental Insurance Renewal



- Rate pass for status quo renewal
- Option to self-fund DPPO plan
 - ▣ \$3.69 PEPM admin fees
 - ▣ No change in premium rates
- Alternative DPPO plan designs
 - ▣ 89% of claimants \$0 - \$1000
 - ▣ 74% of services are diagnostic / preventative

	Option 1	Option 2
	Keep maximum at \$1,500, but preventive care does not apply to the maximum for In-Network	Increase In-Network annual maximum to \$2,000
% Increase	3.80%	4.13%
EE Only	\$42.29	\$42.68
EE + Spouse	\$83.51	\$84.28
EE + Child(ren)	\$118.10	\$119.18
Family	\$155.71	\$157.14

- Based on current participation rates

[illegible]

Benchmark Data



Dental Annual Maximum 2017		
City/Town	Annual Max Benefit	Preventative Include in Annual Max
Avondale	\$2,500	No
Buckeye	\$1500/\$5000	Yes
Chandler	\$2,000	No
Gilbert	\$1,500	No
Glendale	\$1,500	Yes
Goodyear	\$1,500	Yes
Peoria	\$1,500	No
Phoenix	\$2,000	Yes
Scottsdale	\$1,500	Yes
Surprise	\$2,000	Yes
Tempe	\$1,500	No

Dental Insurance



RECOMMENDATION

- Self Insured plan
- Based on input from Insurance Committee
 - Option 1
- Premium rates set for Option 1
- Move deductions to 24 pay periods from 26 per year

Questions ?



Questions?