PLEASE NOTE: NO ADDITIONAL INFORMATION WILL BE PROVIDED OTHER THAN THE STAFF PRESENTATION AT TONIGHT'S MEETING

TOWN COUNCIL REPORT

DATE: April 27, 2011

TO: Mayor and Councilmembers

FROM: Kevin Burke, Assistant to the Town Manager

CC: Jerene Watson, Town Manager
Greg Caton, Assistant Town Manager
Executive Management Team

SUBJECT: Response to Requests from Town Council

The attached reports respond to requests from members of the Town Council:

Town Council
- Employee Medical Benefits

Vice-Mayor Mary Snider
- Employee Medical Benefits

TOWN COUNCIL REPORT

DATE: 4.27.2011

TO: Mayor and Councilmembers

FROM: Betty Dickens, HR Director; Stacey Lemos, Finance Director

SUBJECT: RESPONSE TO REQUEST FROM MEMBERS OF THE TOWN COUNCIL REGARDING EMPLOYEE MEDICAL COVERAGE, FOR THE APRIL 27, 2011 TOWN COUNCIL STUDY SESSION.

This report is in response to questions from the Town Council regarding employee medical coverage.

DISCUSSION

Mayor Satish Hiremath

What is the cost comparison for an Aetna Dental Plan?

CBIZ conducted a solicitation of rates for dental coverage from Aetna. The results reflect a $10,000 higher cost package above our current two-year locked rate with Principal. Staff recommends remaining with Principal and to continue to provide employees a buy-up option allowing for out of network services.

Councilmember Joe Hornat

Why pay or offer the $90,000 difference in dental?

Regardless of which plan the employee chooses, the cost to the Town per employee is the same. Council approved two (dual) Principal dental options for the 2010/11 benefit plan year. The "high" option was included as a "buy-up" option for employees. The "low" Principal dental option requires that employees use Principal dental providers. The buy-up allows employees to pay a higher premium out of their paycheck in order to receive out-of-network dental services.

Councilmember Bill Garner

How much are we paying for our broker, CBIZ?

$57,000 / contract year. The contract contains the following language:

Any other sources of income, revenue, consideration or compensation, including but not limited to commissions and overrides received by the Consultant in connection with the Town's account must be disclosed and either remitted to the Town, or subtracted from the Town's obligation. Non-disclosure of commission/bonus/override information shall be deemed in breach of contract and will be required to remit the outstanding amount to the Town and may result in termination of contract.

How many employees hit their deductible cost last year and/or so far during this calendar year?

The average is 20% of employees meet the $500 deductible for single and $1000 for family.

What is the Town's loss ratio?

77%

What does it mean by "no load to dual" on the Medical Renewal and Options spreadsheet?

For the 2010-11 medical plan year UnitedHealth Care would have applied a 2% administrative "loading" rate if more than one medical option would have been selected. For the 2010-11 plan year the Town offered one medical coverage option and therefore avoided the additional dual load administrative expense. Both Aetna and UnitedHealth Care have eliminated this rate for the 2011-12 bid process. Loading costs are the exception in the health industry, not the norm.

Does the Town fall into the "medium or large" employer category when determining rates?

TOV is considered a large employer by having more than 100 employees. Being a "large" employer provides the advantage of additional options for plan design and possible lower administrative costs.

What impact(s) will the recently approved State budget have on Town employees?

Effective July 1, 2011 employees will be contributing more towards their Arizona State Retirement (ASRS) and Public Safety (PSPRS) contributions. This year's legislation also altered the ASRS contribution ratio for employer/employee from a 50/50 split to a 47/53 split, shifting more of the retirement cost burden to the employees. This contribution adjustment will be an additional cut to employees' take home pay. The reduction to the Town's matching contribution amount below what was originally forecasted at the 50% share will result in a savings to the Town of approximately $70,000. Staff recommends using this savings to offset the $43,000 cost to restore the 90/10 coinsurance deductible ratio for Town employees.

Can the Town legally charge smokers more money for their medical premiums?

Since smoking is a voluntary choice, it *may* not be discriminatory to charge differential rates based on that activity; however, more research is needed to answer this question thoroughly. Any differentiation among insured employees would need to be based upon empirical data and would need to be administered in such a way as not to give rise to a claim of discrimination based upon a prohibited characteristic.

Can the Town mandate participation (compliance) of employees in the Wellness program?

No, mandating participation in the wellness program could give rise to claims of employment discrimination if employees are incapable of participating based on disabilities.

What can we do to encourage participation in the Wellness Program?

The Wellness Squad is empowered to help Town employees with developing healthy living strategies. The employee wellness initiative is to aid in developing physical activity, healthy nutrition, stress management, and self care lifestyles. Employees participating on the Wellness Squad must be able to commit to quarterly meetings and be available for one or more Wellness activities, i.e. Biometric screenings, Wellness Fair, Brown bag seminars.

Components of our Wellness program:
Health and Wellness Coach every Tuesday on campus (4 hours)
Biometric screenings – blood screenings (cholesterol, lipids)
Wellness Fair – health vendors, diagnostic equipment, MOM Mobile (mammography on site),
Healthy University classes
Brown Bag lunch seminars
Maintain Don't Gain
Walking to Wellness
Exercise classes on campus once a week

The Town of Oro Valley's Health and Wellness Program received the "Process and Leadership in Worksite Health Promotion award during the 2010 annual meeting of the Wellness Council of Arizona. The Wellness Council, celebrating its 25th anniversary, partners with the Town's Health and Wellness Program - L.I.F.E. in Oro Valley (Long-term Investment For Everyone), and United Healthcare to bring a robust wellness program along with our health coach, Andrea Curless, onsite for the benefit of all employees.

Shouldn't we include an HSA option in the Town's benefit plan?

Staff determined that additional research is needed prior to shifting to a HSA option, as well as an educational strategy implemented well in advance of potential implementation. Staff intends to more fully research the feasibility of this option for the 2012/13 benefit year.

Staff began in January of this year researching a Health Saving Account (HSA) benefit plan option. Our benefits broker, CBIZ, scheduled an HSA presentation in January conducted by their lead subject matter expert. On March 1, staff received a 12% renewal increase from UnitedHealth Care. Staff immediately directed CBIZ to conduct a solicitation to medical providers. Responding companies were asked to match the Town's current benefit plan and provide rates reflecting our previous 2009-10 benefit plan year coinsurance deductible of 90/10 as well as Health Savings Account rates. Once Aetna and UnitedHealth Care were determined to be the providers presenting the best medical packages and rates, staff requested additional presentations (2) by Aetna addressing their HSA program. Upon staff's request, Aetna also presented information and materials addressing self-insured benefit finance strategies.

Does federal health care law mandate the inclusion of vision care and full dental care components?

No.

Does the Town need to have separate Vision and Dental care options?

Providing employees a full menu of benefits is advantageous in employee recruitment and retention.

What savings would be incurred by having a separate pharmacy manager program?

Due to the Town being fully insured, prescription management is included in provider services.

Is a three-tier prescription drug option the exception or unusual?

Three-tier prescription drug options are the norm not the exception. Tiers are established based on cost. Tier 1 typically may reflect generic, Tier 2 name brand and Tier 3 new to market or lifestyle (Viagra, Rogaine, Crestor, Nasonex).

RECOMMENDATION / CONCLUSION

This report is for information only.

TOWN COUNCIL REPORT

DATE: 4.27.2011

TO: Mayor and Councilmembers

FROM: Betty Dickens, HR Director; Stacey Lemos, Finance Director

SUBJECT: RESPONSE TO REQUEST FROM VICE-MAYOR MARY SNIDER REGARDING EMPLOYEE MEDICAL COVERAGE.

This report is in response to questions from Vice-Mayor Mary Snider regarding employee medical coverage. Could you please provide an analysis of employee medical coverage for surrounding jurisdictions? Specifically, which jurisdictions have 80/20 versus 90/10 coverage?

DISCUSSION

Benchmark comparisons for coinsurance deductible ratios for the following regional municipalities:

City of Bisbee	90/10	Health Net
City of South Tucson	100/0	Blue Cross Blue Shield
Town of Marana	90/10	Open Access Plus 100
Town of Sahuarita	100/0	UnitedHealth Care
Pima County	90/10	United Choice Plus
City of Tucson	100/0	CIGNA HMO

RECOMMENDATION / CONCLUSION

This report is for information only.