



**Town of Oro Valley
2014/2015 Plan Year
Dental Benefits Renewal Recap and Recommendations**

Current Reality and 3 Year Premium History

The Town of Oro Valley has been offering its employees/dependents two separate, fully-insured Preferred Provider Organization (PPO) insurance plan options through The Principal Insurance Company since the 2010/2011 plan year.

Overall, employees and their dependents have been pleased with the level of service provided to them along with the number of providers available through The Principal's PPO network.

During that past two full plan years and through the current plan year, the premium to loss ratios under the fully insured arrangement has been favorable and have resulted in fairly low premium increases.

	<u>Loss Ratio</u>	<u>Rate Increase</u>
2011/2012	86%	0%
2012/2013	82%	3%
2013/2014 (YTD)	81%	7%
2014/2015	n/a	0%

Cost Evaluation and Recommendation

Based on the Town's positive experience with the self-funding of the medical plan and with the favorable, historical loss ratios on the dental plans, it was decided to request a self-funded quote from The Principal for the dental plans so that the Town could compare and assess the viability of changing the dental program from a full-insured arrangement to a self-insured arrangement. The attached spreadsheet outlines The Principal's proposed 2013/2014 plan year renewal (0%) and the self-insured proposal. The self-insured proposal clearly shows that the Town would benefit from moving to a self-funded plan. The estimated cost savings to the Town in a self-funded program would be over \$12,000 (-7%).

Because of this, it is CBIZ's recommendation that the Town change its dental insurance funding arrangement from full-insured to self-insured effective July 1, 2014 to begin realizing a savings in cost. CBIZ will monitor the claims and fixed cost expenses and will provide reporting to the Town outlining those costs on a monthly basis.