



**Human Resources  
Benefits Division**

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Date: Feb. 25, 2016  
To: Honorable Mayor and Members of the City Council  
From: Luran Beebe, Human Resources Manager  
Subject: March 1, 2016 Regular Agenda Item No. 4B, Employee Medical Plans and Premiums

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Option number two (staff recommendation) is amended by reducing premium increases for employees by \$150,000 and increasing city premiums by \$150,000. The employee's percentage will decrease to 6.4 percent on all three plans.

Total medical expected costs with this option remains at \$27.2 million with the city increases equaling \$500,000 and employee increases equaling \$150,000.

# CITY COUNCIL REPORT



Meeting Date: **February 23, 2016**  
Charter Provision: ***Provide for the orderly government and administration of the affairs of the City***  
Objective: ***Adopt Budgets***

## **ACTION**

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**Employee Medical Plans and Premiums.** Adopt Resolution No. 10321 authorizing Fiscal Year 2016/17 medical and dental plan contribution rates.

## **BACKGROUND**

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Based on reviewing claims activity over the past 30 months, if no plan design or network changes occur, the city needs to adjust plan funding by 10.5 percent or \$2.8 million (\$2.2 million for the city and \$600,000 for employees). Hays Companies ("Hays"), the city's benefits advisor, has identified a number of factors that contributed to this increase including the ongoing Affordable Care Act regulations and fees (\$255,000), an increase in the number of smaller cost claims (\$10,000 - \$25,000); an increase in the usage of high cost specialty drugs; and ordinary medical and pharmacy price increases experienced in the Maricopa County market area.

As of January 2016, there were 2,184 active and 24 Public Safety Personnel Retirement System (PSPRS) disabled retired employees enrolled in the three medical plans with 83 percent (1,836) enrolled in the Open Access Plus (OAP) In-Network plan, 13 percent (291) enrolled in the OAP PPO plan and 4 percent (81) enrolled in the HSA plan.

## **ANALYSIS & ASSESSMENT**

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Staff from the Human Resources Department, City Treasurer's Office and the City Manager's Office analyzed, reviewed and discussed the performance of the city's medical insurance plans with Hays' representatives. This analysis included a review of health and pharmacy claims and cost history, national health care trends, network availability and benefit and premium rates established by other valley cities.

Hays presented an option to switch the OAP In-Network plan to the LocalPlus Network which can save an additional \$1.8 million (\$1.6 million for the city and \$200,000 for employees). This LocalPlus Network includes HonorHealth, Banner and Cigna Medical Group network physicians and hospitals, but does not include Mayo Clinic, Phoenix Children's Hospital and other physicians and hospitals. The LocalPlus network is made up of providers who deliver quality care while effectively managing cost. Employees have the option to switch to the Cigna OAP or HSA plan to continue to have access to Mayo Clinic and Phoenix Children's Hospital.

Hays also reviewed several pharmacy changes, including introducing Step Therapy and a Drug Removal Value Formulary. Step Therapy helps by educating doctors and employees to find and choose lower-cost alternative medications. The Drug Removal Value Formulary limits brand name drugs to those with the highest value. It lowers the price point and offers access to suitable therapeutic alternatives. Some drugs can also be replaced with over-the-counter medications.

**Overall premium increases needed** –Staff recommends changing the OAP In-Network plan to the LocalPlus Network along with implementing the pharmacy savings options. By introducing these changes, the city contributions will only increase by 1 percent on the OAP In-Network Plan and 9.05 percent for the OAP and OAP + HSA plans. Employees will experience a 9.05 percent increase on all three plans. The overall premium increase for the city and employees will be approximately \$650,000. Staff also recommends a 6 percent increase to the dental rates.

**Live Life Well program recommendation** – Tobacco use is the leading cause of preventable illness and death in the United States and it is estimated that tobacco users cost employers about \$5,800 more a year than non-tobacco users. Our wellbeing consultants from Hays and Cigna recommend we implement a \$20 per month tobacco surcharge for any employee, spouse/domestic partner or dependent who self discloses that they use tobacco products. Human Resources staff has already introduced this proposal to employees in August 2015 so they could be forewarned and to give them the opportunity to take advantage of cessation programs and resources available to discourage the use of tobacco products.

FY 2016/17 rates will continue to provide funding to pay an incentive for employees and spouses to participate in a wellness screening and health risk assessment (HRA) at a total estimated cost of \$210,000. On-site biometric screening dates have been added to increase participation and give access to those employees who work early or late shifts. Employees who complete the HRA will earn an incentive payment of \$120. If their spouse also completes the HRA, the incentive payment will be \$240.

## FISCAL IMPACTS

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**Available funding** – Annual renewals for the self-insured plans require the city to accurately project medical claims and administrative fees, review the adequacy of stop loss insurance and the health care reserve and review the adequacy of contribution rates to cover claims costs. The total expected cost of medical and dental plans for the recommended option is approximately \$27.2 million and has been included in the development of the FY 2016/17 proposed budget.

## STAFF RECOMMENDATION

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Staff recommends adoption of Resolution No. 10321 and the proposed contribution rates and plan design changes shown on Exhibits A, B, C and D. This action will:

- Increase the city's share of active employee premiums by 1 percent for the OAP In-Network plan and 9.05 percent for the OAP and OAP + HSA plans.
- Increase the employee premiums by 9.05 percent for all three plans.
- Change the OAP In-Network plan to the LocalPlus Network.
- Increase dental premium and contribution rates by 6%.

- Remove the deductible and co-insurance from the Urgent Care Facility on the Cigna OAP plan and increase the deductible to \$1,300 for individual and \$2,600 for family on the OAP + HSA plan.
- Provide an incentive payment of \$120 (employee) or \$240 (employee and spouse) to those active employees covered under the city's medical benefit plans who participate in Cigna's HRA.
- Implement a tobacco surcharge of \$20 per month for employees or family members who self-report use of tobacco products.

***Other Alternatives***

The City Council may, by motion, also provide alternate direction that would change the cost to the city through:

- a. Attachment 2 - increasing the medical premiums by 10.5 percent with no network or pharmacy plan design changes.

## STAFF CONTACT

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Lauran Beebe, Human Resources Manager, [lbeebe@ScottsdaleAZ.gov](mailto:lbeebe@ScottsdaleAZ.gov), 480-312-2746

## APPROVED BY

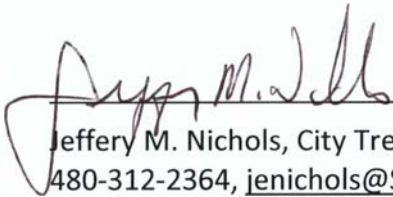
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Donna B. Brown, Director of Human Resources  
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Date



Jeffery M. Nichols, City Treasurer  
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Date



Brian Biesemeyer, Acting City Manager  
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Date

## ATTACHMENTS

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1. Resolution No. 10321 including:
  - Exhibit A - Proposed Monthly Medical Premiums and Contribution Rates
  - Exhibit B - Proposed Monthly Medical Premiums Applicable to PSPRS Accidental Disability Retirees
  - Exhibit C – Proposed Monthly Dental Premiums and Contribution Rates
  - Exhibit D – Proposed Medical Plan Benefit Changes

# ATTACHMENT 1

## RESOLUTION NO. 10321

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, APPROVING FOR FISCAL YEAR ("FY") 2016/17 MEDICAL BENEFIT PLAN CHANGES AND ACTIVE EMPLOYEE AND PSPRS ACCIDENTAL DISABILITY RETIREE MEDICAL AND DENTAL INSURANCE CONTRIBUTION RATES, AUTHORIZING AN INCENTIVE PAYMENT TO EMPLOYEES WHO PARTICIPATE IN THE CITY'S WELLNESS SCREENING INITIATIVE AND IMPLEMENTING A TOBACCO SURCHARGE.

WHEREAS, section 14-102 of the Scottsdale Revised Code provides that the City pays the employee contributions for health insurance, as determined by the City Council; and

WHEREAS, the City Council has been provided with proposed monthly contribution rates ("Contribution Rates"), which are set forth in Exhibits A, B, C and D to this Resolution, for medical and dental plans for active employees and Public Safety Personnel Retirement System ("PSPRS") accidental disability retirees of the City of Scottsdale; and

WHEREAS, the City's Live Life Well wellness initiative has been established to promote overall employee health and encourage preventive care, nutrition and exercise, in order to create a long term culture of good health, improve employee productivity and allow the City to better manage future health care costs; and

WHEREAS, monetary incentives have been shown to increase wellness program participation, resulting in positive changes in individual health status and a reduction in health care costs; and

WHEREAS, on average tobacco users incur greater health costs than non-tobacco users.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale, Arizona as follows:

Section 1. The City Council hereby approves the monthly medical premiums and contribution rates for health plans for full-time City employees as set forth in Exhibit A for the period July 1, 2016 through June 30, 2017.

Section 2. The City Council hereby approves the monthly premiums and contribution rates for PSPRS Accidental Disability Retirees as set forth in Exhibit B for the period July 1, 2016 through June 30, 2017.

Section 3. The City Council hereby approves the monthly premiums and contribution rates for dental plans for full-time employees as set forth in Exhibit C for the period of July 1, 2016 through June 30, 2017.

Section 4. The City Council hereby approves the medical plan benefit changes as set forth in Exhibit D for the period of July 1, 2016 through June 30, 2017.

Section 5. The City Council hereby authorizes the following for FY 2016/17: Employees covered under the City medical plan who voluntarily participate in the City's wellness screening program will be paid an incentive of \$120; if the employee and the employee's spouse who is covered under the City medical plan both participate in the wellness screening, the incentive paid will be \$240.

Section 6. The City Council hereby authorizes implementing a tobacco surcharge of \$20.00 per month for FY 2016/17.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona, this \_\_\_\_ day of \_\_\_\_\_, 2016.

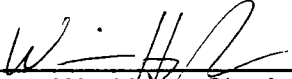
CITY OF SCOTTSDALE, an Arizona  
municipal corporation

ATTEST:

\_\_\_\_\_  
Carolyn Jagger, City Clerk

\_\_\_\_\_  
W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Bruce Washburn, City Attorney

By: William Hylen, Senior Assistant City Attorney



**EXHIBIT A**

**Change OAP In-Network Plan to LocalPlus Network**

**FY 2016/17 Proposed Monthly Medical Premiums and Contribution Rates  
For Full-Time Employees**

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Employee Contribution	City Contribution Increase	Employee Contribution Increase *
<b>City of Scottsdale Cigna OAP In-Network (with LocalPlus Network)</b>					
Employee Only	\$523	\$416	\$107	\$8	\$6
Employee & Child(ren)	\$950	\$732	\$218	\$14	\$13
Employee & Spouse/Partner	\$1,133	\$868	\$265	\$16	\$16
Employee & Family	\$1,628	\$1,234	\$394	\$23	\$24
<b>City of Scottsdale Cigna OAP</b>					
Employee Only	\$483	\$412	\$71	\$34	\$4
Employee & Child(ren)	\$875	\$708	\$167	\$59	\$10
Employee & Spouse/Partner	\$1,045	\$835	\$210	\$69	\$13
Employee & Family	\$1,498	\$1,179	\$319	\$98	\$19
<b>City of Scottsdale Cigna OAP + HSA</b>					
Employee Only	\$463	\$418	\$45	\$34	\$3
Employee & Child(ren)	\$835	\$698	\$137	\$58	\$8
Employee & Spouse/Partner	\$997	\$820	\$177	\$68	\$11
Employee & Family	\$1,429	\$1,146	\$283	\$95	\$17

This option changes the OAP In-Network to the LocalPlus Network which includes in-network coverage for HonorHealth and Banner Health Network physicians and hospitals only. Physicians and hospitals affiliated with Mayo, Phoenix Children's Hospital and other Cigna Open Access Plus networks will only be available to participants enrolled in the OAP and OAP + HSA plans.

This option also includes a premium increase of 1.9% - 9.05% for the city and a premium increase of 6.4% for employees.

\* Participants who self report use of tobacco products will pay an additional \$20 per month.





## EXHIBIT B

### Change OAP In-Network Plan to LocalPlus Network FY 2016/17 Proposed Monthly Premiums Applicable to PSPRS Accidental Disability Retirees

	FY 15/16 Retiree Contribution	FY 16/17 Retiree Contribution	Retiree Contribution Increase
<b>City of Scottsdale Cigna OAP In-Network (with LocalPlus Network)</b>			
Retiree Only	\$509	\$523	\$14
Retiree & Child(ren)	\$923	\$950	\$27
Retiree & Spouse/Partner	\$1,101	\$1,133	\$32
Retiree & Family	\$1,581	\$1,628	\$47
<b>City of Scottsdale Cigna OAP</b>			
Retiree Only	\$445	\$483	\$38
Retiree & Child(ren)	\$806	\$875	\$69
Retiree & Spouse/Partner	\$963	\$1,045	\$82
Retiree & Family	\$1,381	\$1,498	\$117
<b>City of Scottsdale Cigna OAP + HSA</b>			
Retiree Only	\$425	\$463	\$38
Retiree & Child(ren)	\$769	\$835	\$66
Retiree & Spouse/Partner	\$918	\$997	\$79
Retiree & Family	\$1,317	\$1,429	\$112

This option changes the OAP In-Network to the LocalPlus Network which includes in-network coverage for HonorHealth and Banner Health Network physicians and hospitals only. Physicians and hospitals affiliated with Mayo, Phoenix Children's Hospital and other Cigna Open Access Plus networks will only be available to participants enrolled in the OAP and OAP + HSA plans. This option also includes a premium increase of 1.9% - 9.05% for the city and a premium increase of 6.4% for employees.



# EXHIBIT C

## FY 2016/17 Proposed Monthly Full-Time Dental Premiums & Contribution Rates

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Participant Contribution	City Contribution Increase/ (Decrease)	Employee Contribution Increase/ (Decrease)
<b>Cigna HMO</b>					
Employee Only	\$9.06	\$9.06	\$0.00	\$0.00	\$0.00
Employee & Child(ren)	\$20.30	\$10.16	\$10.14	\$0.00	\$0.00
Employee & Spouse/Partner	\$14.88	\$8.40	\$6.48	\$0.00	\$0.00
Employee & Family	\$23.84	\$11.92	\$11.92	\$0.00	\$0.00
<b>Cigna PPO</b>					
Employee Only	\$40.28	\$35.26	\$5.02	\$2.00	\$0.28
Employee & Child(ren)	\$72.50	\$39.28	\$33.22	\$2.22	\$1.88
Employee & Spouse/Partner	\$88.62	\$41.30	\$47.32	\$2.34	\$2.68
Employee & Family	\$119.86	\$44.32	\$75.54	\$2.52	\$4.28



**Proposed FY 2016/17 Medical  
Plan Benefit Changes**

All options will have the following benefit changes:

**Cigna OAP**

- Remove the deductible and co-insurance from the Urgent Care Facility and only apply a \$50 co-pay

**Cigna OAP + HSA**

- Increase the deductible to \$1,300 for individual and \$2,600 for family

# **ATTACHMENT 2**



# EXHIBIT A

## Change OAP In-Network Plan to LocalPlus Network FY 2016/17 Proposed Monthly Medical Premiums and Contribution Rates For Full-Time Employees

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Employee Contribution	City Contribution Increase	Employee Contribution Increase *
<b>City of Scottsdale Cigna OAP In-Network (with LocalPlus Network)</b>					
Employee Only	\$522	\$412	\$110	\$4	\$9
Employee & Child(ren)	\$949	\$725	\$224	\$7	\$19
Employee & Spouse/Partner	\$1,132	\$861	\$271	\$9	\$22
Employee & Family	\$1,627	\$1,224	\$403	\$13	\$33
<b>City of Scottsdale Cigna OAP</b>					
Employee Only	\$485	\$412	\$73	\$34	\$6
Employee & Child(ren)	\$879	\$708	\$171	\$59	\$14
Employee & Spouse/Partner	\$1,050	\$835	\$215	\$69	\$18
Employee & Family	\$1,506	\$1,179	\$327	\$98	\$27
<b>City of Scottsdale Cigna OAP + HSA</b>					
Employee Only	\$463	\$418	\$45	\$34	\$4
Employee & Child(ren)	\$839	\$698	\$141	\$58	\$12
Employee & Spouse/Partner	\$1,001	\$820	\$181	\$68	\$15
Employee & Family	\$1,436	\$1,146	\$290	\$95	\$24

This option changes the OAP In-Network to the LocalPlus Network which includes in-network coverage for HonorHealth and Banner Health Network physicians and hospitals only. Physicians and hospitals affiliated with Mayo, Phoenix Children's Hospital and other Cigna Open Access Plus networks will only be available to participants enrolled in the OAP and OAP + HSA plans.

This option also includes a premium increase of 1% - 9.05% for the city and a premium increase of 9.05% for employees.

\* Participants who self report use of tobacco products will pay an additional \$20 per month.



**EXHIBIT B**

**Change OAP In-Network Plan to LocalPlus Network  
FY 2016/17 Proposed Monthly Premiums  
Applicable to PSPRS Accidental Disability Retirees**

	<b>FY 15/16 Retiree Contribution</b>	<b>FY 16/17 Retiree Contribution</b>	<b>Retiree Contribution Increase</b>
<b>City of Scottsdale Cigna OAP In-Network (with LocalPlus Network)</b>			
<b>Retiree Only</b>	\$509	\$522	\$13
<b>Retiree &amp; Child(ren)</b>	\$923	\$949	\$26
<b>Retiree &amp; Spouse/Partner</b>	\$1,101	\$1,132	\$31
<b>Retiree &amp; Family</b>	\$1,581	\$1,627	\$46
<b>City of Scottsdale Cigna OAP</b>			
<b>Retiree Only</b>	\$445	\$485	\$40
<b>Retiree &amp; Child(ren)</b>	\$806	\$879	\$73
<b>Retiree &amp; Spouse/Partner</b>	\$963	\$1,050	\$87
<b>Retiree &amp; Family</b>	\$1,381	\$1,506	\$125
<b>City of Scottsdale Cigna OAP + HSA</b>			
<b>Retiree Only</b>	\$425	\$463	\$38
<b>Retiree &amp; Child(ren)</b>	\$769	\$839	\$70
<b>Retiree &amp; Spouse/Partner</b>	\$918	\$1,001	\$83
<b>Retiree &amp; Family</b>	\$1,317	\$1,436	\$119

This option changes the OAP In-Network to the LocalPlus Network which includes in-network coverage for HonorHealth and Banner Health Network physicians and hospitals only. Physicians and hospitals affiliated with Mayo, Phoenix Children's Hospital and other Cigna Open Access Plus networks will only be available to participants enrolled in the OAP and OAP + HSA plans. This option also includes a premium increase of 1% - 9.05% for the city and a premium increase of 9.05% for employees.



# EXHIBIT C

## FY 2016/17 Proposed Monthly Full-Time Dental Premiums & Contribution Rates

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Participant Contribution	City Contribution Increase/ (Decrease)	Employee Contribution Increase/ (Decrease)
<b>Cigna HMO</b>					
Employee Only	\$9.06	\$9.06	\$0.00	\$0.00	\$0.00
Employee & Child(ren)	\$20.30	\$10.16	\$10.14	\$0.00	\$0.00
Employee & Spouse/Partner	\$14.88	\$8.40	\$6.48	\$0.00	\$0.00
Employee & Family	\$23.84	\$11.92	\$11.92	\$0.00	\$0.00
<b>Cigna PPO</b>					
Employee Only	\$40.28	\$35.26	\$5.02	\$2.00	\$0.28
Employee & Child(ren)	\$72.50	\$39.28	\$33.22	\$2.22	\$1.88
Employee & Spouse/Partner	\$88.62	\$41.30	\$47.32	\$2.34	\$2.68
Employee & Family	\$119.86	\$44.32	\$75.54	\$2.52	\$4.28



**Proposed FY 2016/17 Medical  
Plan Benefit Changes**

All options will have the following benefit changes:

**Cigna OAP**

- Remove the deductible and co-insurance from the Urgent Care Facility and only apply a \$50 co-pay

**Cigna OAP + HSA**

- Increase the deductible to \$1,300 for individual and \$2,600 for family



# **ATTACHMENT 3**



## EXHIBIT A

### No Plan Design Changes

#### FY 2016/17 Proposed Monthly Medical Premiums and Contribution Rates For Full-Time Employees

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Employee Contribution	City Contribution Increase	Employee Contribution Increase *
<b>City of Scottsdale Cigna OAP In-Network</b>					
Employee Only	\$562	\$451	\$111	\$43	\$10
Employee & Child(ren)	\$1,020	\$793	\$227	\$75	\$22
Employee & Spouse/Partner	\$1,217	\$941	\$276	\$89	\$27
Employee & Family	\$1,747	\$1,338	\$409	\$127	\$39
<b>City of Scottsdale Cigna OAP</b>					
Employee Only	\$492	\$418	\$74	\$40	\$7
Employee & Child(ren)	\$891	\$717	\$174	\$68	\$17
Employee & Spouse/Partner	\$1,064	\$846	\$218	\$80	\$21
Employee & Family	\$1,526	\$1,195	\$331	\$114	\$31
<b>City of Scottsdale Cigna OAP + HSA</b>					
Employee Only	\$470	\$423	\$47	\$40	\$5
Employee & Child(ren)	\$850	\$707	\$143	\$67	\$14
Employee & Spouse/Partner	\$1,014	\$831	\$183	\$79	\$17
Employee & Family	\$1,455	\$1,161	\$294	\$110	\$28

This option assumes no plan design changes, only a 10.5% premium increase for the city and employees.

\* Participants who self report use of tobacco products will pay an additional \$20 per month.



# EXHIBIT B

## No Plan Design Changes FY 2016/17 Proposed Monthly Premiums Applicable to PSPRS Accidental Disability Retirees

	FY 15/16 Retiree Contribution	FY 16/17 Retiree Contribution	Retiree Contribution Increase
<b>City of Scottsdale Cigna OAP In-Network</b>			
Retiree Only	\$509	\$562	\$53
Retiree & Child(ren)	\$923	\$1,020	\$97
Retiree & Spouse/Partner	\$1,101	\$1,217	\$116
Retiree & Family	\$1,581	\$1,747	\$166
<b>City of Scottsdale Cigna OAP</b>			
Retiree Only	\$445	\$492	\$47
Retiree & Child(ren)	\$806	\$891	\$85
Retiree & Spouse/Partner	\$963	\$1,064	\$101
Retiree & Family	\$1,381	\$1,526	\$145
<b>City of Scottsdale Cigna OAP + HSA</b>			
Retiree Only	\$425	\$470	\$45
Retiree & Child(ren)	\$769	\$850	\$81
Retiree & Spouse/Partner	\$918	\$1,014	\$96
Retiree & Family	\$1,317	\$1,455	\$138

This option assumes no plan design changes, only a 10.5% premium increase.



# EXHIBIT C

## FY 2016/17 Proposed Monthly Full-Time Dental Premiums & Contribution Rates

July 1, 2016 to June 30, 2017	FY 16/17 Monthly Premium	FY 16/17 City Contribution	FY 16/17 Participant Contribution	City Contribution Increase/ (Decrease)	Employee Contribution Increase/ (Decrease)
<b>Cigna HMO</b>					
Employee Only	\$9.06	\$9.06	\$0.00	\$0.00	\$0.00
Employee & Child(ren)	\$20.30	\$10.16	\$10.14	\$0.00	\$0.00
Employee & Spouse/Partner	\$14.88	\$8.40	\$6.48	\$0.00	\$0.00
Employee & Family	\$23.84	\$11.92	\$11.92	\$0.00	\$0.00
<b>Cigna PPO</b>					
Employee Only	\$40.28	\$35.26	\$5.02	\$2.00	\$0.28
Employee & Child(ren)	\$72.50	\$39.28	\$33.22	\$2.22	\$1.88
Employee & Spouse/Partner	\$88.62	\$41.30	\$47.32	\$2.34	\$2.68
Employee & Family	\$119.86	\$44.32	\$75.54	\$2.52	\$4.28

## EXHIBIT D



### **Proposed FY 2016/17 Medical Plan Benefit Changes**

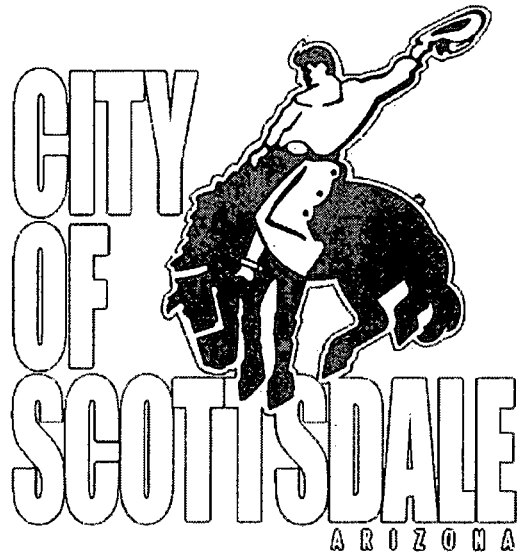
All options will have the following benefit changes:

#### Cigna OAP

- Remove the deductible and co-insurance from the Urgent Care Facility and only apply a \$50 co-pay

#### Cigna OAP + HSA

- Increase the deductible to \$1,300 for individual and \$2,600 for family



# **Medical Plans and Premiums**

March 1, 2016 City Council Meeting

# Medical Plans - Option 1

If no plan design changes are made

- \$29.3 million = total expected medical costs
  - Total medical increase equals \$2.8 million
  - Employees \$600,000; city \$2.2 million
- If rates increase by 10.5 percent:
  - Employee rates increase by \$5 to \$39 per month
  - Employer rates increase by \$40 to \$127 per month



## Medical Plans - Option 2

- Change OAP In-Network to a narrower network – LocalPlus of Arizona
- OAP and OAP + HSA plans would continue to include Mayo and Phoenix Children's Hospital in-network
- \$27.2 million = total expected medical costs
  - Total medical increase equals \$650,000
  - Employees \$150,000; city \$500,000
  - Employee rates increase by \$3 to \$24/month
  - Employer rates increase by \$8 to \$98/month



# Wellness Incentive

- Employees complete biometric screenings and health risk assessment
- \$120 employee-only; \$240 employee+spouse/partner

# Tobacco Surcharge

- Tobacco use is the leading cause of preventable illness and death in the United States
- HR introduced and delivered a tobacco cessation program
- If any employee or family member uses tobacco products, they will pay an additional \$20 per month
- Employees will sign affidavits – no testing

# Dental PPO

- Dental premiums had no increase FY 2015/16
- Proposed premium increase = 6% overall, \$90,000
  - Cost to city and employees is approximately \$45,000 each



## Tonight's Agenda Item

### Adopt Resolution No. 10321

- Increase the City's share of active employee premiums by 1.9 percent for the OAP In-Network and 9.05 percent for the OAP and OAP + HSA plans.
- Increase the employee premiums by 6.4 percent for all three plans.
- Change the OAP In-Network plan to the Local Plus Network.
- Establish dental premium and contribution rates for active employees as shown in Exhibit C.

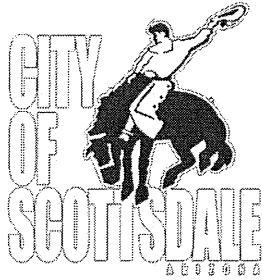


## **Tonight's Agenda Item, cont.**

### **Adopt Resolution No. 10321**

- Implement medical plan design changes as shown in Exhibit D.
- Provide an incentive payment of \$120 (employee) or \$240 (employee and spouse) to those active employees covered under the city's medical benefit plans who participate in Cigna's HRA.
- Implement a tobacco surcharge of \$20 per month for employees or family members who self-report use tobacco products.

## Item 4B



# Medical Plans and Premiums

March 1, 2016 City Council Meeting

## Medical Plans - Option 1

If no plan design changes are made

- \$29.3 million = total expected medical costs
  - Total medical increase equals \$2.8 million
  - Employees \$600,000; city \$2.2 million
- If rates increase by 10.5 percent:
  - Employee rates increase by \$5 to \$39 per month
  - Employer rates increase by \$40 to \$127 per month



## Medical Plans - Option 2

- Change OAP In-Network to a narrower network – LocalPlus of Arizona
- OAP and OAP + HSA plans would continue to include Mayo and Phoenix Children's Hospital in-network
- \$27.2 million = total expected medical costs
  - Total medical increase equals \$650,000
  - Employees \$150,000; city \$500,000
  - Employee rates increase by \$3 to \$24/month
  - Employer rates increase by \$8 to \$98/month



3

## Wellness Incentive

- Employees complete biometric screenings and health risk assessment
- \$120 employee-only; \$240 employee+spouse/partner



4

## **Tobacco Surcharge**

- Tobacco use is the leading cause of preventable illness and death in the United States
- HR introduced and delivered a tobacco cessation program
- If any employee or family member uses tobacco products, they will pay an additional \$20 per month
- Employees will sign affidavits – no testing



5

## **Dental PPO**

- Dental premiums had no increase FY 2015/16
- Proposed premium increase = 6% overall, \$90,000
  - Cost to city and employees is approximately \$45,000 each



6





## **Tonight's Agenda Item**

### **Adopt Resolution No. 10321**

- Increase the City's share of active employee premiums by 1.9 percent for the OAP In-Network and 9.05 percent for the OAP and OAP + HSA plans.
- Increase the employee premiums by 6.4 percent for all three plans.
- Change the OAP In-Network plan to the Local Plus Network.
- Establish dental premium and contribution rates for active employees as shown in Exhibit C.



## **Tonight's Agenda Item, cont.**

### **Adopt Resolution No. 10321**

- Implement medical plan design changes as shown in Exhibit D.
- Provide an incentive payment of \$120 (employee) or \$240 (employee and spouse) to those active employees covered under the city's medical benefit plans who participate in Cigna's HRA.
- Implement a tobacco surcharge of \$20 per month for employees or family members who self-report use tobacco products.